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The Presidential train: a luxury journey through the Douro Valley in Portugal

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Abstract

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Luxury tourism is gaining importance in today's world and, despite Portugal is still regarded as a mass tourism destination, it begins to take important steps in this segment of high potential. After understanding how this economic activity is evolving in Portugal (especially Porto and Douro Region), an empirical study was conceived to assess on the operations and financials of The Presidential, a unique luxury journey, and its competitive advantage in the market. Approaches were performed to a significant sample of tourists and people involved which helped collecting relevant recommendations to improve the tour aboard the Portuguese Presidential Train.

Key words:

Luxury tourism | Porto city / Douro Region | The Presidential | Competitive advantage

Table of contents

1. Introduction

Tourism worldwide is one of the most important economic activities, contributing both for countries' development and overall well-being. According to figures from UNWTO and WTTC (2017), as of 2016 tourism has contributed for 10% of the world's total GDP (US$7.6 trillion) and has represented 7% of the world's total exports (US$1.4 trillion). It employs 1 in 10 people worldwide. In addition, international tourist arrivals grew in 2016 by 3.9% worldwide (the 7th consecutive year of sustained growth) totalising 1,235 million and this number is expected to reach approx. 2 billion by 2027 (see **Appendix 3** and **4**). Portugal has also recorded promising figures, with a 12.7% growth in 2016 in terms of international tourist arrivals (11.4 million).

As the UNWTO figures of 2016 made clear, worldwide outbound travel remains on the growth path despite terror attacks and political unrest, which strongly benefited destinations perceived as safe in Europe, such as Portugal. Asia and Pacific led growth in 2016 with a 9% increase in international arrivals, followed by Africa (+8%) and the Americas (+3%). The world's most visited region, Europe (+2%) showed mixed results, while available data for the Middle East (-4%) points to decline in arrivals. The steady increase of so-called "sharing" accommodation providers such as Airbnb came under spotlight as well, but still have a relatively low market share according to WTM figures. In addition, "Millennials" are a large market segment which apparently has special characteristics such as desire for authentic cultural experiences and use technology intensively.

Still within the UNTWO, regarding both global reports on Food Tourism (2012) and Cultural Routes & Itineraries (2015), one can acknowledge some insights about these activities' branches. The first one mentions that the Food Tourism is a growing market (food & wine tourism is expected to grow between 7% to 12% a year) and that both destinations and companies involved in the tourism market are aware of its importance in tourism diversification and local, regional, and national development. Indeed, according to this report, the weight of gastronomy in destinations' tourism revenue is much significant, at around 30%. Additionally, tourists seek experiences based on local identity and culture heritage and the gastronomy has become an indispensable element to provide it. In fact, there are many destinations whose brand image is connected to gastronomic values. Portugal is one of these cases.

Food experiences have become more important in tourism as the "experience economy" has developed. According to Pine and Gilmore, the consumer no longer pays for the basic service, but for the complete experience (Richards, 2010). In this case, people are willing to pay premium for the added value offered by food experiences, which provide a gateway into local culture, creativity and landscapes. Food tourism is high yield tourism and can also stimulate local economic development, diversify rural economies, preserve local traditions, reduce the seasonality of tourism, promote and brand destinations.

Wine Tourism, a branch of the gastronomy tourism activity, has been gaining more importance in the past few years, namely in countries with wine tradition and culture, as it is the case of Portugal. Taking into consideration an article in Publituris (2014), the cluster connected to wine culture and tourism, despite targeting a niche of the market, is the responsible for tourism growth in Portugal with a big impact on the regional development and on the Portuguese economy. As of 2014, it presented an increase of 13.6% when compared to 2013. According to UNWTO report, the focus on food and wine tourism is strategic for Portugal, and should be regarded as a differentiating element of the destination's tourism offer and a top priority product within the National Strategic Plan for Tourism (PENT).

The second report mentions that the cultural tourism, which accounts for a significant part of the global tourism (approximately 40% in 2014, according to UNTWO), has experienced unprecedented growth over recent years. Tourism as an industry has undergone major transformations in line with the rise of skilled consumption and the experience economy. Tourists became more experienced and started seeking new experiences on holiday (focused on relaxation, discovery, enjoyment and knowledge) and more places began to recognise the value of culture as a potential means of generating tourism. Additionally, the rise of mass tourism during the second half of the 20^{th} century brought several negative impacts, such as overcrowding, environmental problems and degradation of local culture. In contrast, cultural tourism was often viewed as a good form of tourism, which was small-scale, high-spend and low impact. Being one of the largest and fastest-growing global tourism markets, cultural tourism, if sustainably managed, can foster destinations economic growth, promote social development and heritage preservation.

According to a report from Turismo de Portugal (2006), Portugal is positively perceived as a travel destination for cultural tours. Also, due to the abundancy of cultural and natural resources (some of which are classified by UNESCO as World Heritage, such as Douro Valley and the Historic Center of Porto) Portugal presents a high potential for growth in this segment (it has been growing between 5% and 7% each year). Nevertheless, due to lack of key success factors, only 6% of the international tourists that travel to Portugal have as main motivation a touring trip. As of 2014, Portugal accounted for only 1.4% of total international touring trips performed by European travellers.

Finally, the luxury travel is growing faster than overall travel (a CAGR of 4.5% vs. 4.2%, respectively) as global consumers are becoming more affluent and middle-class markets develop and mature across the globe (Amadeus, 2015). Additionally, not only are luxury travel sectors distinguished by uniqueness, brand imagery and high price levels but they are also impacted by the same trends. A clear distinction between ultra-luxury and affordable luxury has been observed, together with the development of personalised services, a move away from ostentation towards authenticity, the increasing importance of web-based media, and progressively more attention to green, ethical and social principles. Therefore, offering luxury customers a relevant, personal and exclusive experience is becoming crucial and it will be the differentiating factor between old and new luxury. Portugal is no exception. Despite not being yet a typical luxury destination, luxury travel has increased.

2. Research purpose and Methodology

The purpose of this paper is to study and understand whether The Presidential, a luxury journey aboard a patrimonial train of unique value (within the Cultural & Food tourism segments), holds sustainable competitive advantage in Portugal. Therefore this thesis will focus on the following dimensions and conceptual analysis: (i) Study the potential of Portugal (especially Porto and Douro region) as a luxury tourist destination and learn more about the luxury tourism worldwide; (ii) Assess on the operations/financials of The Presidential and the market environment where it operates; and (iii) Understand The Presidential visitors' profile as well as their perception and intention to return/recommend their experience.

In order to conduct this study, two approaches were used. The first approach consists of a thorough research on databases to investigate papers, books, articles and magazines on the Presidential Train as well as on luxury, cultural and food tourism in Portugal and Rest of the World to learn more about these subjects and what has been already studied. Literature review and secondary database analysis applied to the topics presented above: Nova Library, Turismo de Portugal and Fundação Museu Nacional Ferroviário (FMNF) documentation centers. This approach also includes research on facts & figures from Pordata, UNWTO, WTCC, ITB Berlin, among others that proved to be relevant for this analysis. Academic articles on Economics and Management of Tourism and specifically luxury services served as a framework to understand the Presidential Train and the market where it operates. Internet search engines were also used to widen the research. The second approach is based on primary data, not only to learn more about The Presidential but also to understand the market where it operates. Interviews were performed through several conversations with Gonçalo Castel-Branco, the founder of The Presidential, to further understand the business. Two visits to The Presidential were made, including two 1-day tours to acquire personal experience. Finally, 109 responses were collected to The Presidential's visitors to further understand their profile as well as their expectation/perception and intention to return/recommend their experience. The target population of this study are both people (i) who were about to travel aboard the Presidential Train for the first time (1st target group); and (ii) who travelled aboard the Presidential Train at least once (2nd target group). First, 68 interviews were conducted at the check-in before passengers entered the Presidential Train. To ensure that passengers were qualified to be part of the 1st target group, an eliminatory question was asked: "Have you ever travelled with the Presidential Train before?". The answer had to be "No", otherwise it would be used for the 2nd target group. Second, 41 online surveys were performed to people who travelled with the Presidential train at least once (see **Appendix 35** and **36**).

3. Luxury conceptualization and luxury tourism

In order to address the analysis of luxury tourism, sector where The Presidential operates, one must first understand what luxury can actually be defined as. According to Kapferer (2009), luxury is not an absolute but a subjective as well as a relative term. Due to the industrial revolution and the corresponding rise of the standard of living, formerly inaccessible products became more affordable and available to everyone (e.g. cars), being no aspect of distinction anymore. This example illustrates what Lasslop calls the "democratization of luxury", linked to the relative character of luxury. In addition to social and historical conditions, the individual's economic status must be considered when defining luxury (what is luxury for some may not be luxury for others). Regarding Hoffmann, Luxury is always evolving but in the past twenty years and in the future the luxury is changing at a faster pace (Scholtz, 2014).

Still according to Kapferer, in addition to its key social function, luxury is an access to personal pleasure, otherwise it is no longer a luxury but simple snobbery. The key points to emerge from his theory about the concept of luxury are: (i) Luxury is qualitative rather than quantitative; (ii) When it comes to luxury, hedonism takes precedence over functionality (the materials used may be very elegant but not always pleasant to wear); (iii) Luxury has to be multisensory (for instance, not only the appearance of a Porsche matters but also the sound of it); (iv) Luxury for oneself does of course include a strong authentic aspect, distinct from its hedonistic component (what one finds beautiful not necessarily has to be pleasant); and (v) Luxury being a social phenomenon, and society being composed by human beings, luxury, whether object or service, must have a strong human content, be of human origin (Kapferer, 2009).

Considering several dictionaries (e.g. English, French, Japanese, Russian), one can see that generally luxury is about consuming the best products available to a person (see **Appendix 5**). Additionally, one can see that "luxury" is so often taken as a synonym for "money" that one might begin to wonder whether the word "luxury" should be replaced by the word "money". In fact, regarding to Kapferer (2009), money is generally the brute force of luxury in its "public" or "for others" manifestation. However, price, and therefore money, is not a determinant of luxury. According to Pätzmann and Frank, luxury customers do not spend their money indiscriminately and, even in the luxury sector, they compare prices and quality with the aim of getting the best possible value for their money. Therefore, luxury requires high quality as well to worth its price (Scholtz, 2014).

According to Chevalier and Mazzolovo, the company size and financial characteristics are major differences between the luxury segment and other industries. First, luxury brands are rather small in terms of annual sales. Second, profitability and high break-even point are two aspects of major significance. Luxury brands can be so successful and profitable that they compensate for many years of losses, due to the high value of luxury brands (high margins). Additionally, the luxury business is a very high break-even business as it faces extremely high expenses. Everything from the production process to the sale has to be top quality, all being financially unprofitable activities in the short term. Finally, the common assumption that people who can afford buying luxury goods continue to do so even in financial downturns came to an end as the actual results of the financial crisis became visible. In fact, regarding to the Economist, by 2009 the global luxury market had shrunken by 8% and annual profits had fallen drastically. Only very few brands remained exempt from the crisis showing resistance to economic downturns (Scholtz, 2014).

According to a study performed by BCG, there are four key trends that will shape the luxury industry in the future, as follows: (i) a changing world: new growth drivers in the Luxury industry, such as a strong reduction in retail expansion (2/3 of the next decade's growth will be organic) and opportunities in countries where luxury buying is long established; (ii) intro values (quality, exclusivity) still roaring & customers increasingly looking for experience rather than "having"; (iii) "word of mouth" key influencer for purchases (see **Appendix 6**); and (iv) the rise of the digital world (BCG, 2016).

The global luxury market tracked by BCG was estimated to be of a total size of €1.385 trillion in 2015 (2014-2015: growth by 5% and 2015-2016: stagnation). BCG also estimated a growth of 34.4% for the total spending on P&E luxury items between 2014 ($755bn) and 2021 ($1,015bn) - see **Appendix 7** and **8** for further detail on the global luxury market size per category as of 2014 and on the P&E luxury market growth by top consumers and nationality. USA, China and Europe are expected to be the main contributors to future P&E luxury growth. Luxury consumption is shifting away from goods towards experiences such as travel and gastronomy. Experiential luxury accounts for 34% of global luxury spending and its annual growth was 15% until 2015, while for personal luxury goods were only 11%. In addition, in 2015 online sales make up more than 5% of total luxury market and are expected to represent between 10% to 15% of all luxury sales in 2020 (see **Appendix 9**). In today's luxury world there are four main types of luxury consumer, as follows: (i) Aspirational mass market; (ii)

Rising middle class (Top aspirational); (iii) New money (Ultra & very high luxury); (iv) Beyond money. As one can see in the **Appendix 10** the market size and potential spend of new money, including the middle and aspirational markets, is much larger than traditional “old money” consumers. The number of luxury consumers around the world grew significantly in the last years and is expected to reach 465 million in 2021 (BCG, 2016).

After all, how can luxury tourism be compared to other forms of luxury purchasing? There are many similarities between all forms of luxury purchasing including the delivery of superior services and products in a convenient and engaging way with a trend away from “bling” and more towards digital and meaningful to everyday life (Horwath, 2011). There is no strict definition for luxury tourism. Most importantly, what travellers see as superior, convenient and engaging is subjective and therefore hard to define.

Amadeus (2015) presents the hierarchy of luxury travel needs which illustrates the levels of luxury travel (see **Appendix 11**). Indeed, the more accustomed to luxury a traveller is, the higher he will need to travel up the pyramid for its expectations to be met and for his idea of luxury to be fulfilled. A traveller’s perception of luxury not only changes throughout his lifetime, it can change throughout the duration of a single holiday. European luxury travellers are generally at the level of expecting exclusive experiences and generally look for such things as personalised services, good quality beds, sophisticated design, reliable transport, comfortable seats, food and wine of outstanding standards, exclusivity as well as positive and professional interaction with staff. The VIP demands are limited to a small group, used to the highest level of luxury in their daily lives. In addition, Amadeus (2015) divides the global travel market into six segments (see **Appendix 12**). For luxury tourism, three of these are of key interest (reward hunters, simplicity searchers and obligation meters) which, based on their behaviour, intentions and levels of affluence, were segmented into Luxury Traveller Tribes as summarized in **Appendix 13**.

According to Horwath (2011), luxury tourism can be broken down into four main components, as follows: (i) accommodation; (ii) transportation; (iii) experience; and (iv) travel agents and tour operators. Indeed, the experience that a traveller wants is what differentiates one destination to another and is often key factor in the decision-making process. Indeed, the luxury tourist has the same needs and wills as a general tourist. However, the former will be looking for opportunities of exclusivity, uniqueness and quality (refer to **Appendix 14**).

In addition, considering both reports from Euromonitor International (2015) and Amadeus (2015), some key findings include (see **Appendix 15**): (i) Luxury travel has entered a new phase, in which conspicuous consumption is giving rise to a more digital as well as meaningful and more authentic travel experiences ("old luxury" vs. "new luxury”); (ii) From 2011 to 2015, the demand for travel has remained constant despite testing economic times, and the luxury market has remained fairly resilient (luxury travel CAGR: 4.5%); (iii) As of 2015, North America and Western Europe accounted for 64% of global outbound luxury trips, despite only making up 18% of the world’s population; (iv) From 2015 to 2025, an increase in international luxury travel is expected (a CAGR of 6.2%) due to the growth of tourism flows from emerging markets (mainly from China and India) and aspirational middle-class consumers; and (v) Europe’s luxury travel market will see faster growth than Asia Pacific’s until 2025. As with all tourism trends, visitor numbers are also influenced by numerous factors including the destinations’ image perception, currency price, ease of access, events and recommendations from friends and relatives.

Finally, luxury travel is a growing segment worldwide and presented an increase of 48% between 2010 and 2015 (ITB Berlin, 2015). Luxury trips were defined as all short trips spending of more than 750€ per night and all long trips costing more than 500€ per night. As of 2014, the world population undertook 46 million international luxury trips. The market share of these trips rose from 3.9% in 2009 to 4.6% in 2014. A total of €172 billion was spent on international luxury travel in 2014 (see **Appendix 18** for more detail on the largest source markets and most popular destinations for luxury travel). Finally, in 2014, holidays abroad represented the dominant share of all luxury trips with 74%. The most popular types of luxury holidays were tours, with 29%, followed by city trips, beach holidays and cruises. The remaining 26% of luxury trips refer to business.

4. Portugal as a top travel destination in Europe

Considered the "Best World Destination" by the WTA in 2017, Portugal stands out with a set of differentiation factors supporting future tourism development, as follows: (i) location: privileged geostrategic position; (ii) value for money: well developed touristic offer with strong quality for relatively low prices; (iii) gastronomy: highly appreciated traditional cuisine; (iv) weather: pleasant climate throughout the year and opportunity to develop off season tourism; and (v) concentrated diversity: wide spectrum of touristic products (e.g. culture, sun & beach, nature) and different touristic attractions in a small range (Roland Berger, 2015). Tourism is one of the Portuguese economy's key sectors and its relative weight has grown over recent years (representing 6.4% of total GDP and forecasted to rise by 2.8% in 2017, according to WTTC). The Portuguese tourism sector is highly dynamic, with a strong recognition worldwide. Its notoriety as a top destination market led to a strong tourism growth in 2016 when compared to 2015 (9.8%). As of 2016, the total number of tourists in the whole country amounted to 19 million (11.4 million of which were international tourists) generating over €12.7 billion (see **Appendix 19**). The majority of tourists (53%) travelled in Portugal for leisure, recreation and holidays. Portugal's main strengths, weaknesses, threats and opportunities as a tourist destination were summarized in **Appendix 20** (Turismo de Portugal, 2017).

In addition, due to a strong demand in a higher category, Portugal's touristic offering has been improving significantly in the past years and some projects focused on a more upscale &

luxury segment have emerged, mainly in the hotel segment (Turismo de Portugal, 2017). Examples are: (i) a more qualified territory and tourist resources; (ii) an upgrade and new ways of accommodation of recognized quality (e.g. significant increase in the capacity share of four-star and five-star hotels); (iii) more tourism animation activities; (iv) better supporting infrastructures (e.g. the role of Turismo de Portugal); (v) acknowledgements and international awards; (vi) growth in online channel; and (vii) opening of direct air routes to important markets (e.g. China). Since 2012, the Portuguese luxury market (including Gold visa, luxury tourism, retail and others) presented a significant growth, generating nearly €9 billion in 2017 (app. 5% of the total GDP) (Dinheiro Vivo, 2017).

Lastly, in 2017, the Portuguese government launched a new strategy for tourism up to 2027 which focuses several national strategic resources including culture and gastronomy & wine. Additionally, it fosters innovation, entrepreneurship and diversification. Portugal is no longer only excellent for having the best beaches in Algarve or the beautiful landscape in Madeira, since tourists are now increasingly looking for new experiences and new places. Porto city and Douro region show many attributes to be some of these cases.

5. Porto and Douro Region as two of Portugal's most beautiful secrets

The tourism in Porto and North of Portugal has grown on average at a higher annual rate (7.0%) than the whole Portuguese territory (6.2%) in the past 6 years. In 2016, the total number of visitors (3.8 million) increased 11.1% when compared to 2015 (Turismo de Portugal, 2017) - see **Appendix 21**. Porto, which accounts for approx. 70% of the total demand, is one of the most emblematic cities of Portugal. The city unfolds along the Douro River which provides the backbone for a touristic experience that can encompass gastronomy & wine, culture and nature. As a tourist destination, the city has been growing in popularity with relevant contribution of the arrival of low cost carriers at Francisco Sá Carneiro airport (one of the fastest growing airports in Europe). In 2017, Porto was voted "European Best Destination" by travellers and tourism experts, after having already received the title twice before, in 2012 and 2014. In the hotel market, Porto has seen a rapid rate of growth (occupancy rates surpassing 60% in 2016 and overnight trend has more than doubled over the last 5 years). Porto's hotel room supply will continue to increase in the next years (4 and 5 star hotels will account for most of the pipeline) (Colliers International, 2017). Porto and the North of Portugal are increasingly attracting more qualified tourists and with greater purchasing power. The majority of tourists points out the gastronomy & wine as being on top of their preferences when they visit it (Público, 2017). An increase of the number of tourism animations has also been observed (e.g. Rabelo boats, city tours, visits to Port-wine cellars, cruises). In fact, a total of 1 million passengers navigating on boats were expected in the Douro River by the end of 2017. The river tourism is indeed the main driver for other types of tourism in the Douro (Jornal i, 2017). As the first demarcated wine-producing region in the world, Douro has conserved the traditional Portuguese culture. But it was the World Heritage classification obtained by the Alto Douro Vinhateiro (UNESCO, 2001) that raised awareness of the Douro region as a touristic destination. See **Appendix 22** and **23** regarding to Porto and Douro's strategic products and positioning in the market (tourism sector).

6. The Presidential: internal & external analysis

6.1. Internal analysis

6.1.1. The Portuguese Presidential Train: brief history

Built in 1890 as a Royal train for King D. Luís I, it hosted heads of state like Óscar Fragoso Carmona, Craveiro Lopes and Américo Tomás. After Portugal had become a republic in the early 20th century, it was renamed the Presidential Train and hosted global dignitaries until its last ride, for the funeral of Dictator António de Oliveira Salazar, in 1970. In the following years the train laid neglected, until a three-year restoration work had begun in 2010, under the responsibility of the FMNF, the owner of the Presidential Train. As a patrimonial object of unique value, the conservation and restoration of the vehicles used for it (named the project Presidential Tours) was candidate for the PIT and QREN, being both applications approved, with the celebration of the financing contracts in August 2010 and November 2011 respectively. The existence of co-financing was essential to the project, 90% non-refundable (80% - QREN and 10% - PIT) and 10% through equity (FMNF) to be paid as the project was executed. The investment amounted to a total of approximately €1.2 million. In an unprecedented project in Portugal, the six vehicles that comprised the Presidential Train were recovered from the mechanical, technical and patrimonial point of view (see **Appendix 24**). Empresa de Manutenção de Equipamento Ferroviário (EMEF) also helped with the recovery, particularly in terms of the interiors, coatings and equipment. The FMNF's main goals for the Presidential Train are: (i) to circulate on the national railway network; (ii) to perform various cultural tourism trips on several regions of the country, in cooperation with other partner organizations; and (iii) to be exhibited at the National Railway Museum. The Presidential Train was inaugurated in December 2013.

6.1.2. The Presidential: main business activities

Voted the "Best Public Event in the World 2017" by Beaworld, The Presidential is the result of a partnership between FMNF and Trajetórias & Melodias to carry out two of the first main goals: (i) to circulate on the national railway network; and (ii) to perform tourism cultural trips in Portugal. T&M, a SME owned by Gonçalo Castel-Branco and his brother (António Castel-Branco, minority partner and CFO), manages the entire operation. Founded in April 2016 and pioneer in the Portuguese railway sector, The Presidential tours available are described in **Appendix 25**. The Presidential experience, which accounts for approx. 90% of The Presidential's total revenues, is a Michelin-starred gourmet excursion on board of the Portuguese Presidential Train through the Douro Valley (see **Appendix 26**). The historical train departs from S. Bento Station in the medieval heart of Porto (at 12am) with no scheduled stops until Quinta do Vesúvio. It arrives at S. Bento Station at 10pm. The tickets (€500 – VAT included) are sold to the public directly or through travel agents (or other intermediaries). Other services include buying travel services to other suppliers and assembling them into luxury holiday packages (2 days pack - €2,000 and 3 days pack - €4,000). Finally, there are only 25 Presidential Tours per year in both spring and wine editions (since, at the FMNF's request, the Presidential Train runs only 25 times a year), with a maximum capacity of 64 passengers each.

6.1.3. Mission & Vision & Strategic objectives

Castel-Branco, an entrepreneur, founded The Presidential after his daughter suggestion to create a moving restaurant aboard the Portuguese Presidential Train. Its mission is "*to deliver the best luxury experience in the country*". Additionally, The Presidential wants to be "*a timeless celebration of fine dining, the historic Portuguese Presidential Train and the incomparable scenery of the Douro Valley*" (Vision). According to Castel-Branco, this is his "*love letter to Portugal*" and intends to focus on the luxury railway segment. In terms of strategic objectives, he set the goal to reach between €200,000 to €300,000 of total net revenues per edition during the next year (2018). Additionally, being a star product, The Presidential can generate enormous national and international media attention which will in the medium term be channelled to other products with different rates of return. According to the founder, two additional trains targeting a lower segment will be launched until 2019 (with capacity for 200 journeys per year each).

6.1.4. Industry mapping

In order to understand The Presidential supply chain complexity, an industry map was performed (see **Appendix 27**). It comprises a wide range of private and public institutions, both national and international, that take part in the delivery of the tourism product (The Presidential) to customers. Turismo de Portugal is the national tourism authority. In cooperation with international agencies (e.g. WTO, ETC, OECD), it is responsible for implementing tourism policy at a national level (including the PENT) and supporting investment (e.g. through PIT in case of the Presidential Tours project). At a regional level, Turismo do Porto e Norte de Portugal acts as a destination management organization with financial and administrative autonomy (OECD, 2016). Additionally, regarding the management of programmes co-funded by EU, the Comissão de Coordenação e Desenvolvimento Regional do Centro (CCDR Centro) supported the Presidential Tours project (through MaisCentro Program - QREN). In terms of strategic partners, FMNF (a public institution) is the owner of the Portuguese Presidential Train. Its main strategic goal comprises the implementation and dynamization of the National Railway Museum (MNF) which showcases the Presidential Train (when not circulating). Comboios de Portugal (CP) owns the operation of the railway services in Portugal while Infraestruturas de Portugal (IP) manages the Portuguese railway infrastructures (both owned 100% by Portuguese State). EMEF is a subsidiary of CP which is engaged with the recovery and maintenance of the railway equipment. T&M, a private company, is responsible for The Presidential's operations. For this purpose, it holds contracts with each of the public entities mentioned above. The main agreement relates to the (non-exclusive) contract established with FMNF concerning the concession of The Presidential Train. The ceasing date is 2020, automatically renewable in case both parties agree. The remaining contracts are annual protocols that follow the latter.

In terms of direct suppliers, The Presidential only deals with national premium producers/service providers; showing the best of the country is important to Castel-Branco. Additionally, the invited Chefs are all Portuguese luminaries, some of which are Michelin-starred: Pedro Lemos, Vítor Matos, Miguel Rocha Vieira, Ljubomir Stanisic, Vasco Santos and João Oliveira. The managers and staff (assistants, waiters and baristas) are the brightest and the best from the Hotel and Tourism School of Porto. Partnerships with hundreds of travel agents (e.g. Agência Abreu, Visit Porto) and other intermediaries (e.g. TAP planes, airports, golf apps, local hotels) were also established allowing them to be present in various channels.

Finally, The Presidential's target customers are: (i) international tourists with high purchasing power who are looking for wine tasting, food and history (Spain, France, UK and USA are the most representative source markets, according to Castel-Branco); (ii) national customers who are generally between 30 to 60 years old and come mainly from the North of Portugal; and (iii) corporate segment, in particular the ones that have networks to reward (e.g. real estate and insurance companies) or premium clients (e.g. banks).

6.1.5. Value chain

The value chain model (Michael Porter, 1985), which is composed by primary, support and margin activities, is used to understand how The Presidential creates value to its customers (see **Appendix 28**). Among the primary activities of The Presidential are: (i) Inbound logistics: it refers to selecting the finest quality products (e.g. food and drinks - variable costs). To assure that the consumables remain in high quality standards, these are transported directly to the train (the day/night before the trip) and stored there. This activity also comprises other costs (e.g. kitchen material, cleaning and bathroom products). The Presidential team handles the entire logistics. The Presidential only deals with national premium producers (see **Industry Map**); (ii) Operations: The Presidential operates in Porto/Douro Region. Its operations mainly concern managing a restaurant on board of the licensed Portuguese Presidential Train, which generated more than 90% of the total revenues (The Presidential experience). Therefore, Castel-Branco invites a different Chef (out of 6, including 3 Michelin-starred Chefs) to cook each weekend. The kitchen team should not exceed 6 people who have to prepare approximately 60 four dish degustation menus. The staff (baristas, waiters and assistants) is responsible for the food and beverage services; (iii) outbound logistics: there is very little presence of intermediaries in service delivery. Majority of the service is delivered in The Presidential's licensed train. Nevertheless, the 2 and 3 days packs include other services provided by external entities, for instance: Six Senses Douro Valley, Intercontinental and Rio House (accommodation); Boat ride; and Pedro Lemos restaurant (dining); (iv) Marketing & Sales: this activity is relatively aggressive. The promotion strategy comprises: a) direct promotion by inviting journalists from all over the world; b) through the internet by having a website, Facebook, YouTube and Instagram besides other promotion means; c) period communications in magazines, journals and tv channels; and d) word of mouth campaigns; and (v) Service: The Presidential aims at building customer loyalty through high level of customer service mainly at the licensed train. An example is: still on board the Presidential Train, Castel-Branco works the rooms and meets all the guests on every ten-hour journey. At the train's major stop, Quinta do Vesúvio, he explains the basics. Additionally, passengers are free to have special requests. At the end of the trip, a bag with two bottles of Port-wine and some extras are offered to each passenger. Also, in case of any plausible complaint, another ticket is offered to the injured visitor. The retail objective of The Presidential is to provide each customer a unique experience.

In terms of support activities: (i) T&M, FMNF and EMEF infrastructure: this item includes all the T&M departments (management, finance, legal) which are required to keep The Presidential operational. It counts with 4 full-time employees. Additionally, FMNF and EMEF departments (assigned to the project Presidential Tours), since both entities were the main contributors for the rehabilitation and recovery of the Presidential Train (T&M had no intervention). Still, the maintenance of the train is entirely handled by EMEF and FMNF (see **Industry Map**; (ii) Human resources management: it comprises mixed teams from (i) T&M: it consists of a total of 30 people working front-office and back-office (including the Chefs). The majority of The Presidential team is outsourced since the frequency of the Presidential Tours does justify so. The Presidential's committed workforce is considered a key attribute in the project's success and growth over the past 2 years. Additionally, it presented a low turnover rate which means that Castel-Branco is taking good care of his workforce; and (ii) FMNF/EMEF: it consists of 2 people assigned to the train maintenance; (iii) Service development: pioneer in the Portuguese railway sector, Castel-Branco developed a new service concept (a Michelin-starred moving restaurant) and new ways of providing it to customers (being original and authentic); and (iv) Procurement: Castel-Branco works hard to find the best suppliers to make sure that every detail (e.g. products, sound, smell, colour) is worthy of the magnificent train.

The final price is defined by the average cost, value perception and competing products. The profit margin depends on the train occupancy rates. In case one assumes 100% occupancy rate, The Presidential experience (1-day pack) profit margin is 20%. Additionally, both 2 and 3 days packs present a higher profit margin: (i) 30% and (ii) 45%, respectively. See **Financial Analysis** for further details regarding The Presidential's cost structure.

6.1.6. VRINNO framework

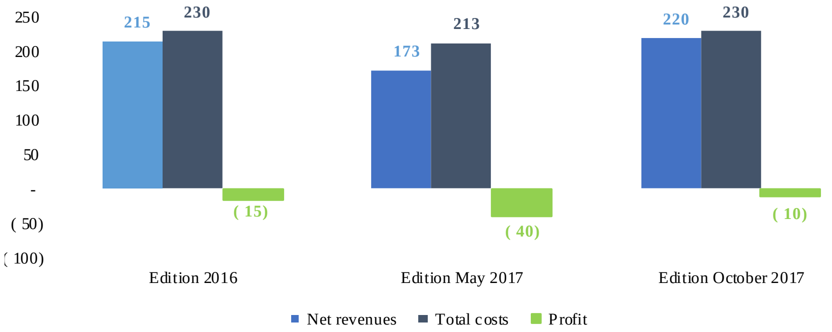
The VRINNO model (Jay B. Barney, 2008) is used to assess the sustainability of the Presidential's competitive advantage. In fact, one can believe that it will enjoy a sustainable competitive advantage in the future, as it was able to do it so far, since the identified strategic resources are well embraced in organizational terms and have the following characteristics: (i) Valuable, as they are important in its industry (valuable for customers); (ii) Rare, as there is no other Project with the same combination of resources serving the railway sector in Portugal; (iii) Inimitability, as The Presidential is in a favourable position in terms of unique assets in the industry (e.g. Presidential Train); (iv) Non-substitutable, since despite Gonçalo Castel-Branco or any other person from his team may move to a competitor, the whole structure created in The Presidential cannot be replicated; (v) Non-Transactionable, since the reputation and brand value of The Presidential cannot be transferred to competitors; and (vi) Organizationally embedded, since there is an extreme care in ensuring that all units follow the same enduring values that characterizes The Presidential (see **Appendix 29**).

The Presidential has been able to appropriate the benefits through differentiation (obtaining a price premium for its service). This is revealed in several indicators, such as increasing number of customers per journey and increasing revenues (according to Castel-Branco). A thorough analysis over the Presidential's Organizational Resource Platform (see **Appendix 30**) shows that there are five fundamental components that stand out in its competitive advantage. First, the source of their know-how and one of their most important competences, human resource management. This resource is fundamental in securing the top talented Chefs, managers, waiters, baristas and assistants who will further develop their in-house processes and improve customer's experience. Second, the Presidential Train (a patrimonial object of unique value) which, by its idiosyncratic characteristics, allows The Presidential to create more value to customers than its competitors (differentiation advantage). Third, reputation and brand value as it ensures loyalty and secures new customers. The way The Presidential provides and customizes the service (being original and authentic) gives it a stable relationship with its customers. Finally, service development since innovation has been at the heart of The Presidential (developing a new service concept and new ways of providing it to customers (e.g. a moving restaurant) which prefigures a competitive advantage.

6.1.7. Financial analysis

The financial analysis is used to assess the viability, stability and profitability of The Presidential. First, The Presidential is still a very young project. Second, being a luxury product, the initial costs were very significant. Third, major costs relate to the restoration and rehabilitation of the Presidential Train (€1.2 million - entirely supported by FMNF, Turismo de Portugal and ERDF) were not considered in this analysis. Therefore, The Presidential direct costs comprise fixed costs (e.g. rental of the Presidential Train, insurances, other railway services) and variable costs (e.g. personnel, food and drinks). A significant part of the total costs refers to railway costs which amount up to €100,000 per edition (fixed costs). The Presidential's total revenues mainly refer to The Presidential experience (1-day pack) which accounts for approx. 90%. In the graphic below, one can see that the Project presented negative profits during the first three editions. Nevertheless, according to the Management, from 2018 onwards total costs are expected to decrease to €150,000 and net revenues are expected to be between €200,000 and €300,000.

Graphic I: The Presidential's net revenues and total costs (in €000) (see **Appendix 31**)



Note: Net revenues = Total revenues - commission to travel agents (20%) - VAT (23%)
Source: Information obtained from Gonçalo Castel-Branco

The number of journeys performed by The Presidential accounted to 10 in 2016 and 20 in 2017 (10 and 10 in May and October editions, respectively). A total of 1,800 passengers travelled with it in 2016 and 2017: (i) 45% retail clients; (ii) 40% corporate clients; and (ii) 15% guests and sponsors. Due to confidentiality reasons, no further information was obtained on this matter (see the Work Project's main limitations in **Appendix 2**).

6.2. Market overview

6.2.1. Porter's Five Forces model

The Porter's Five Forces Model (see **Appendix 32**) is used to analyse the long run potential profitability for the luxury railway industry and for the firms competing within it. (i) Industry competitors: concerning the luxury railway sector, the Presidential is exposed to a low internal rivalry because there are no competitors yet. Douro Azul is working on the restoration of a luxury train for the Tua River (North of Portugal). Within the Douro segment, cruises are the strongest competitors (e.g. Douro Azul). In addition, the most relevant international competitors are the Blue Train, Orient Express and Machu Picchu. However, the international visitors that come specifically to travel on The Presidential have low impact in total sales; (ii) Potential entrants: the threat of new potential entrants is moderately low. In Portugal, the transport of passengers by train is a public business and, therefore, it presents high regulatory/legal barriers to the entrance. The Presidential required several licenses/authorizations to start operating (nevertheless the non-exclusivity of the contract with FMNF may be a potential issue). The high capital requirements also make this business relatively unattractive. Additionally, the Presidential's uniqueness and high reputation protect it against potential new luxury packages in the market (e.g. new cruises, new trains); (iii) Availability of substitutes: the availability of substitutes is very low since there are no comparable options in the Portuguese market; (iv) Buyer power: the power of buyers is moderately low. Even though the Presidential presents a high dependency on Michelin-starred Chefs and most of its suppliers are large sized (e.g. Niepoort, Graham's, Vista Alegre), its high reputation/brand awareness in the market represents an outstanding opportunity for all of them in terms of promotion; and (v) Supplier power: the increasing demand for the Presidential Tours combined with the low capacity, few close substitutes available and high brand recognition indicate that buyer power is low.

6.2.2. SWOT analysis

The SWOT analysis is a strategic planning tool used to identify the Presidential's strengths, weaknesses, threats and opportunities (see **Figure I**):

Figure I: The Presidential's SWOT analysis (see **Appendix 33**)

Strengths	Weaknesses
- First mover advantage; - High brand recognition / reputation; - Unique strategic resources (e.g. a patrimonial train of unique value); - Original/Authentic content; - Location (Douro Valley); - Accessibility (S. Bento Station in Porto city); - Flexibility (the 2 and 3 day packs are flexible to the client needs and interests); - Low bargaining power from customers and suppliers; - Strong management team; - International awards (voted the Best World's Event in 2017 by Beaworld); and - Network of relations (FMNF, EMEF, IP and CP).	- Non-exclusivity of the contract with FMNF; - Low capacity (64 seats maximum); - Seasonality: (i) The Presidential only operates in both Spring and Harvest seasons; and (ii) runs only 25 times per year; - Rigorous criteria on a historical point of view (e.g. no air condicioned allowed); - High price; and - Lack of communication/promotion (during inoperative months).
Threats	**Opportunities**
- Lack of demand for luxury products/services in Portugal; - Precarious economic and financial framework of the Portuguese people (domestic demand is very representative in The Presidential's sales); - Uncertain economic growth of some important issuing countries (e.g. Brazil, England, France and Spain); - Possiblity of tourist overloading in Porto / Douro and its negative externalities; - Spain vs. Portugal: Douro river fight - Rising competition (e.g. Douro Azul train in Tua River); - Climate change.	- Forecast growth for luxury tourism up to 2025 worldwide; - P&E luxury market estimated to grow significantly worldwide ("Millennials"); - Cultural tours as the most popular type of luxury holidays; - Gastronomy & Wine and Cultural tourism with a significant growth worlwide; - Portugal perceived as one of the safest country in the world; - Majority of tourists (53%) come to Portugal for leisure, recreation and holidays; - International acknowledgments and awards won by Portugal, Porto and Douro; - Portugal, Porto and Douro's improvements on its tourist resources and supporting infraestrcutures; - Opening of direct air routes to important markets (e.g. China); - Growth in online channel; - Word of mouth campaigns.

Source: Own analysis

7. The study: The Presidential's passengers profile

7.1. General indicators

Some generic indicators of The Presidential's passengers include: (i) 57.8% are women; (ii) 67.0% of the sample has < 50 years old; (iii) 81.7% are (self) employed and 10.1% are students; (iv) 45% are single; (v) 80.7% have an undergraduation or higher education; (vi) 80.7% are Portuguese and the remaining passengers are from Brazil (4.6%), UK (2.8%), Germany (2.8%), USA (1.8%), and other European countries. Additionally, according to 60% of the sample (61 responses), the passengers get to know the Presidential Train from various sources including: (i) Travel agents (e.g. Agência Abreu), (ii) Magazines / Newspapers / TV channels (e.g. Time Out, EasyJet magazine), (ii) Friends and Family; (iv) Hotels (e.g. Intercontinental); and (v) Internet (see **Appendix 37**).

7.2. Customer expectations vs. perception after travelling with The Presidential

When asked about their perception of The Presidential, in a scale from 1 to 5 (1 meaning very bad and 5 meaning very good), passengers were very enthusiastic, as the average answer was 4.65 (considering the perception from both 1st and 2nd population). Additionally, after performing the Mann-Whitney U Test for both independent samples, one can conclude that there is no reason to reject (with 5% significance level) the hypothesis that the opinion of the passenger changes after travelling with the Presidential Train. For this reason, one can believe that passengers already have an excellent opinion regarding the service even before using it.

In a scale from 1 to 5, when asked about their experience on board of the Presidential train (2nd target group), it is noticeable that passengers are on average very satisfied with the (i) gastronomy & wine experience (4.54) and (ii) emotional connection with Douro's cultural heritage (4.44). They also agree that (i) the Presidential is comfortable and safe (4.29), (ii) the staff is professional and in adequate number (4.61), (iii) the duration of the trip is suitable (4.39); and (iv) the Presidential is a unique tour when compared to other tours in Douro (4.61).

Finally, despite not so enthusiastically, passengers agree that the relation price to quality of the Presidential is appropriate (3.90).

7.3. Intention to return and recommend

Regarding the 2nd target group, their intention to recommend the experience (on board of the Presidential train) to friends and relatives is on average 4.48 (out of 5), which means that almost every passenger is very likely to do it. Additionally, their intention to travel again with The Presidential was moderately lower (3.90), which may be explained by the high price and the fact that 19.3% passengers live far away from Porto (internationals).

After performing a second Mann-Whitney U Test for both 1st and 2nd target groups, the conclusion was as follows: there is no reason to reject (with 5% significance level) the hypothesis that the passengers' intention to recommend and return to Porto and Douro changes after travelling with the Presidential Train. On a scale from 1 to 5, the average answer was at 4.91 and 4.87 (out of 5) respectively which means they are very likely to recommend and return to Porto and Douro even before travelling in it. In addition, passengers tend to give a higher rate to Douro compared to Porto in what regards a luxury touristic destination. The average rate was 3.85 and 4.39 for Porto and Douro, respectively (on a scale from 1 to 5).

7.4. Comments & Suggestions

Some suggestions by the passengers on The Presidential service include: (i) "*Very poor toilets*"; (ii) "*No wi-fi*"; (iii) "*More seats in the piano room*"; (iv) "*Very difficult to talk during meals due to the noise*"; (v) "*No electricity*"; and (vi) "*Lack of communication*".

8. Conclusion & Recommendations

To conclude, The Presidential has been following a successful strategy. First, the Portuguese luxury market is still relatively small but with great growth potential. In the luxury railway sector, The Presidential is the market leader with no competitors (following a blue ocean strategy). Second, The Presidential's organizational resources make it unique and are also key characteristic for the Project to thrive in different conditions and to adapt to a fast-changing market. In fact, despite being a very young Project (presenting negative profits), it has been able to appropriate benefits through differentiation and sustain it so far (through competitive advantage). Finally, the results obtained in the study indicate that passengers are extremely satisfied with The Presidential service.

In terms of recommendations, even though anyone can copy The Presidential's business model, it needs to focus on its unique assets (e.g. Presidential Train) as well as its strategic partnerships to maintain its current position in the market. Also, due to the forecast growth of the global luxury market, combined with Portugal's notoriety as a top destination market, Castel-Branco should aim to address international demand in the short-term (taking his first mover advantage). In addition, The Presidential should adapt to quickly changing trends and to clients' needs, like the growth of online channel (see PESTEL analysis in **Appendix 34**). The increasing number of smartphones and tablet users will further boost the social media trend. The Presidential needs to increase its appearance and its social media actions towards its customers.

I. Glossary

Amadeus	Amadeus IT Group
BCG	The Boston Consulting Group
BRIC	Brasil, Russia, India and China
CAGR	Compound Annual Growth Rate
CCDR Centro	Comissão de Coordenação e Desenvolvimento Regional do Centro
CFO	Chief Financial Officer
CP / CP - Comboios	CP - Comboios de Portugal, E.P.E.
CPLC	Community of Portuguese Language Countries
EMEF	Empresa de Manutenção de Equipamento Ferroviário, S.A.
ERDF	European Regional Development Fund
ETC	European Travel Commission
Euromonitor International	Euromonitor International Ltd.
FMNF	Fundação Museu Nacional Ferroviário
GDP	Gross Domestic Product
HNWIs	High net worth individuals
IP or Infraestruturas de Portugal	IP - Infraestruturas de Portugal, S.A.
ITB Berlin	Internationale Tourismus-Börse Berlin
MNF	Museu Nacional Ferroviário
OECD	Organization for Economic Co-operation and Development
ORP	Organizational Resource Platform
P&E	Personal & Experiential
PENT	Plano Estratégica Nacional do Turismo
PIT	Programa de Intervenção do Turismo
QREN	Programa Mais Centro/Redes para a Competitividade e Inovação
SME	Small and medium enterprise
T&M	Trajetórias & Melodias, Lda.
TAP	Transportes Aéreos Portugueses
Turismo de Portugal	Turismo de Portugal, I.P.
UAE	United Arab Emirates
UK	United Kingdom
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNWTO	United Nations World Tourism Organization
USA	United States of America
VAT	Value Added Tax
VIP	Very Important Person
VRINNO	Valuable, Rare, Inimitable, Non-substitutable, Non-transactionable and Organizationally embedded
WTA	World Travel Awards
WTM	World Travel Monitor
WTO	World Trade Organization
WTTC	World Travel & Tourism Council
apps	Applications
app.	Approximately
bn	Billions
k	Thousands
m	Millions
Nr.	Number
US$ or $	US dollars
€	Euros
%	percentage
n.a.	Not applicable
n.av.	Not available

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Appendices

Appendix 1: Acknowledgements

This project would not have been possible without the support of many people. Many thanks to my advisor Professor Sónia Dahab for her expert advice and encouragement. Thanks to Professor Patrícia Xufre who offered guidance and support regarding the statistical analysis. Also thanks to Gonçalo Castel-Branco who gave me generous access to relevant information on The Presidential business and who invited me to travel aboard the Presidential Train twice. It was indeed an unique experience! Thanks to Maria José Teixeira from FMNF who provided me with important information regarding the project Presidential Tours. Thanks to NOVA - School of Business and Economics for the opportunity to embark on this outstanding project. Last but not least, thanks to my family, girlfriend and friends who endured this long process with me, always offering support and love. This thesis is dedicated to my father.

Appendix 2: Main limitations

The main limitations of the Work Project are as follows: (i) No profit & loss statement, balance sheet and cash-flow statement (or similar information) were obtained for The Presidential's historical performance (2016 and 2017); (ii) No breakdown of the major components of The Presidential's cost structure (fixed costs vs. variable costs) was provided; (iii) No further detail was received regarding to The Presidential's financial projections for the next years of operations; (iv) No clarification was provided regarding to The Presidential's value chain and its breakdown in terms of major costs; (v) No further detail was obtained regarding to the contracts established with FMNF, EMEF, CP and IP; and (vi) No clarification was received regarding to any bank loan (in charge of T&M) and respective repayments (amount payable, frequency and interests) (associated to The Presidential). All the missing information was requested to Gonçalo Castel-Branco or to the FMNF.

Other limitations include: (i) lack of information available regarding to luxury tourism in Portugal (since it is still a very immature market); and (ii) lack of time available therefore the scope of analysis did not include deep investigation of potential issues regarding to, for instance, major competing destinations (within the luxury railway sector).

To conclude, in case these restrictions and limitations were not present, additional considerations relevant for the proposed Work Project could have been identified.

Appendix 3: Main KPIs – Tourism sector in the World

Estimates & Forecasts - Tourism in the World

World	2016	2016	2017	2027		
	US$bn[1]	% of total	Growth[2]	US$bn[1]	% of total	Growth[3]
Direct contribution to GDP	2 306	3.1	3.8	3 537	3.5	4.0
Total contribution to GDP	7 613	10.2	3.6	11 513	11.4	3.9
Direct contribution to employment[4]	108 741	3.6	2.1	138 086	4.0	2.2
Total contribution to employment[4]	292 220	9.6	1.9	381 700	11.1	2.5
Visitor exports	1 402	6.6	4.5	2 221	7.2	4.3
Domestic spending	3 575	4.8	3.7	5 414	3.9	3.9
Leisure spending	3 823	2.3	3.9	5 918	2.7	4.1
Business spending	1 154	0.7	4.0	1 720	0.8	3.7
Capital investment	807	4.4	4.1	1 307	5.0	4.5

Note: [1] 2016 constant prices & exchange rates; [2] 2017 real growth adjusted for inflation (%);
[3] 2017-2027 annualised real growth adjusted for inflation (%); [4] 000 jobs
Source: World Travel & Tourism Council, 2017

Appendix 4: Worldwide outbound travel

International tourism as of 2016

#	World	Americas	Europe	Africa	Asia Pacific	Middle East
International tourist arrivals (in millions)	1 235	199	616	58	308	54
International tourists receipts (in US$bn)	1 220	313	447	35	367	58

Source: United Nations World Tourism Organization (UNWTO), 2017

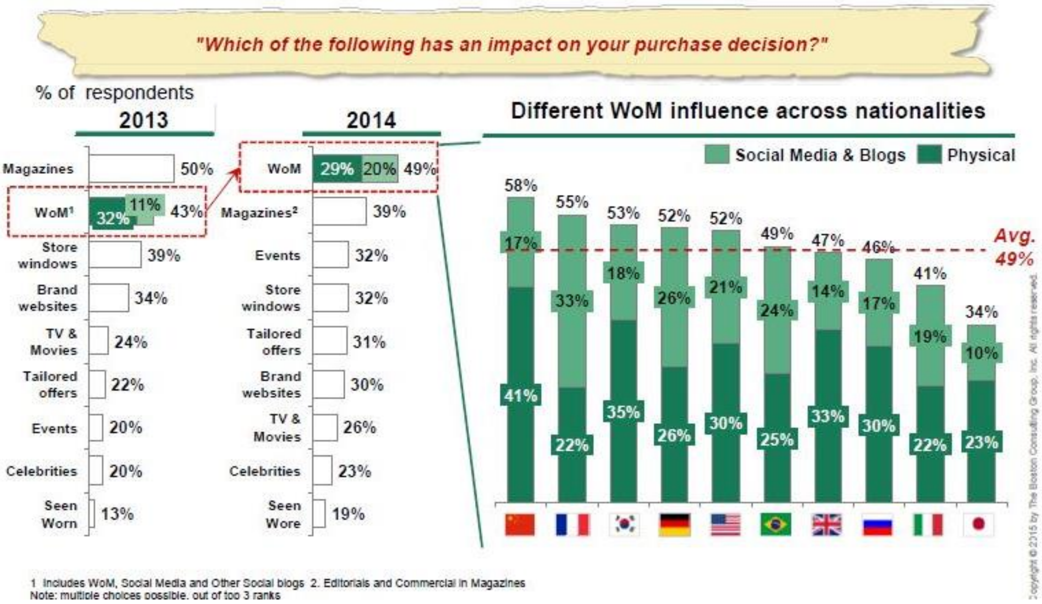
Appendix 5: Luxury definition in the dictionary

Luxury definition in the dictionary

#	Observations
Collins English	*"An indulgence in rich and sumptuous living."*
French	*"What is costly, refined and sumptuous. Expensive pleasure one can buy without necessity."*
Japanese Daijisen	*"To use money or things for a certain purpose above the necessary level. Not to spare money or things."*
Russian	*"External splendour, wealth, opulence. Extravagance in living comfort and pleasure, with a wasteful abundance."*

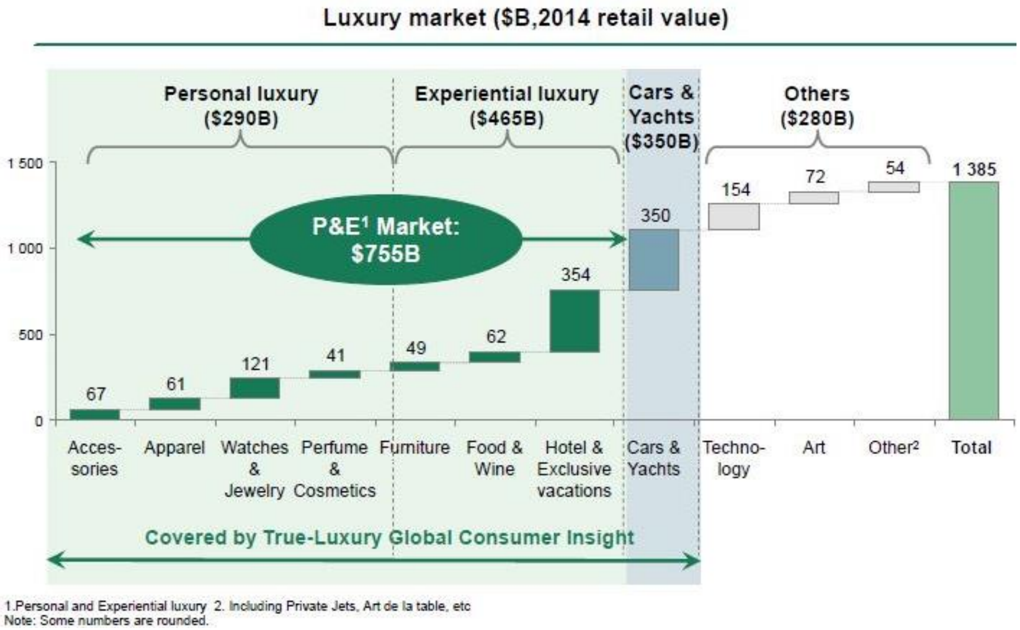
Source: Hallott, 2013

Appendix 6: Worth of mouth as a "key influencer" for purchases



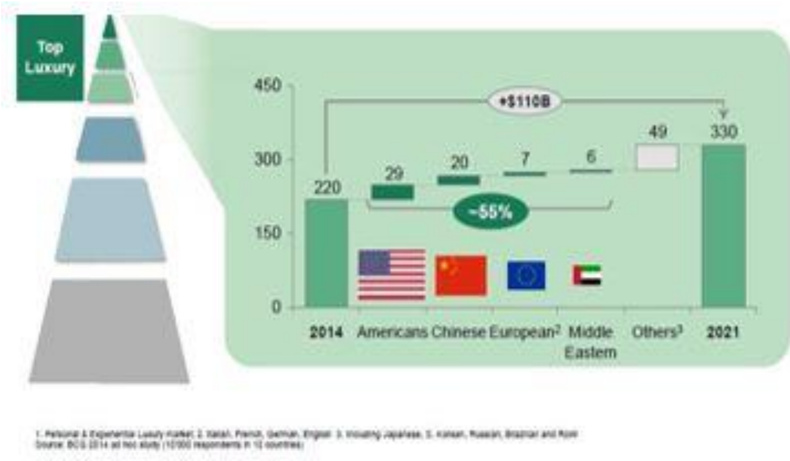
Source: BCG, 2016

Appendix 7: Global luxury market size per category as of 2014



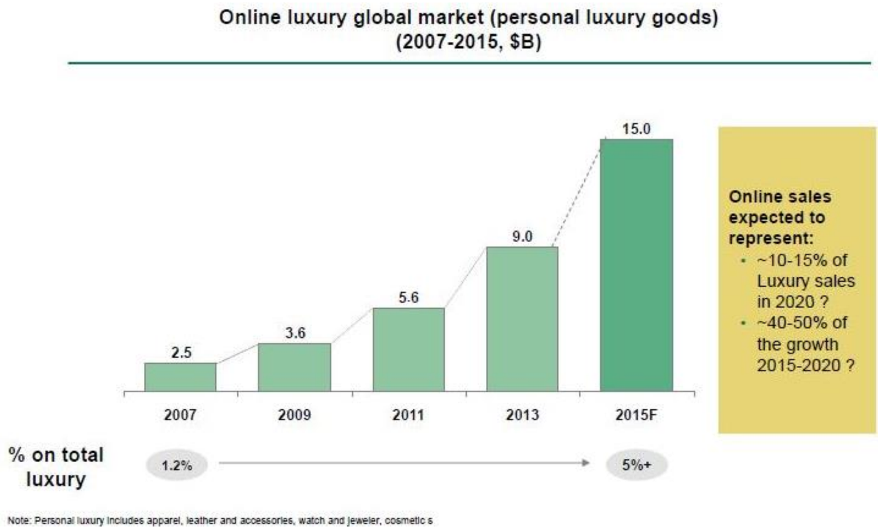
Source: BCG, 2016

Appendix 8: P&E luxury market growth by top consumers and nationality



Source: BCG, 2016

Appendix 9: Online global luxury market



Source: BCG, 2016

Appendix 10: The four species of luxury consumer

The four species of luxury consumer

#	Aspirational mass market	Rising middle class (top aspirational)	New money (Ultra & very high luxury)	Beyond money	
				Old money	Beyond money
Brief description	- Trendy metropolitans; - Average jobs; - Aspire to higher lifestyle; - Not big spenders but significant as a group.	- Middle-class background; - Well-paid jobs.	- Spend the most on luxury goods; - Earned wealth themselves (through investment and businesses).	- Old money: (i) Inherited rather than generated wealth; and (ii) The youngest are at least second-generation millionaires.	- Beyond money: (i) apparent indifference to status; (ii) avoid displays of wealth; and (iii) their disdain for conspicuous brands is an affirmation of their elite status.
Annual income	- Developed countries: $55,000 or more; - Emerging countries: $18,000	- Developed countries: $110,000 or more; - Emerging countries: $35,000	At least €725,000 on bankable assets in 2010.	*n.a.*	
Luxury spending 2014 ($ billions)	481	54	178	42	
Segment size (million people)	356	19	13	2	

Source: BCG, 2016

Appendix 11: Hierarchy of luxury travel needs

Source: Amadeus, 2015

Appendix 12: The Traveller Tribes

Global travel market - The Traveller Tribes

#	Observations
Simplicity searches	(i) In their travel planning and holidaymaking they value ease and transparency; (ii) They avoid going through extensive research themselves and are willing to outsource their decision making to trusted parties.
Cultural purists	(i) Their travel is an opportunity to break themselves entirely from their home lives and engage sincerely with a different way of living.
Social Capital Seekers	(i) For them, to be well-travelled is an enviable personal quality; (ii) Their choices are shaped by their desire to take maximal social reward from their travel; (iii) The potential of digital media will be exploited to enrich, inform and structure their experiences.
Reward Hunters	(i) They are the luxury travellers of the future; (ii) They seek a return on the investment (travel) they make in their busy lives; (iii) They seek truly extraordinary and indulgent 'must have' experiences, linked in part to the growing trend of wellness (including both physical and mental self-improvement).
Obligation Meeters	(i) They have restricted travel choices by the need to meet some bounded objective; (ii) Business travellers are the most significant micro-group within this category; (iii) Their core needs and behaviours are mainly shaped by their need to be in a certain place, at a certain time, without fail.
Ethical Travellers	(i) They allow their conscience, in some shape or form, to be their guide when organising and undertaking their travel; (ii) They may make concessions to environmental concerns, let their political ideals shape their choices, or have a heightened awareness of the ways in which their tourism spend contributes to economies and markets.

Source: Amadeus, 2015

Appendix 13: The luxury traveller tribes

Luxury travel: The Luxury Traveller Tribes

#	Observations
Bluxury	(i) Accounts of 31% of total luxury travellers; (ii) The main purpose of their trip is business; (iii) They have the seniority and salary to extend their trip with some luxury leisure travel; and (iv) They are a combination of Obligation Meeters and Reward Hunters.
Cash-Rich, time poor	(i) Accounts for 24% of total luxury travellers; (ii) They are a mix of Obligation Meeters and Simplicity Searchers; (iii) They usually do have responsibilities that dictate when they can and cannot travel; (iv) This group likes to travel with flexible tickets since their plans often change last minute; (v) They often outsource their travel planning (willing to pay for expertise); and (vi) They prefer their leisure time to feel private.
Special occasion	(i) Accounts for 20% of total luxury travellers; (ii) Consists mainly of Reward Hunters, but also Simplicity Searchers; (iii) They choose luxury travel for a special occasion (like a honeymoon or marriage proposal); (iv) They seek 'wow factor' experiences and consider luxury travel a treat; and (v) They are willing to compromise on comfort if it means they will get an incredible travel experience;
Strictly opulent	(i) Accounts for 18% of total luxury travellers; (ii) Is closely linked with Reward Hunters; (iii) They are looking for the best and most glamorous travel experiences; (iv) They want to live life to the fullest and indulge in luxury; (v) It is also very important to share their luxury experiences on social media; and (vi) They consult luxury influencers to enhance their trips.
Always luxury	(i) Accounts for 4% of total luxury travellers; (ii) This is a relatively small group of mainly Simplicity Searchers; (iii) Money is not an issue for these travellers; (vi) Luxury is part of their everyday life (VIP demands on holiday); (v) They travel in first class or by private jet and pay other parties to make decisions for them; (v) This group is not very interesting for luxury tourism providers from developing countries; and (vi) It is a small segment and demands a degree of luxury that is hard to meet.
Independent and affluent	(i) Accounts for 3% of total luxury travellers; (ii) These travellers are a blend of Reward Hunters and Simplicity Searchers; (iii) They choose luxury travel when they want to pamper themselves or try something new; (iv) They do not have many scheduled obligations; (v) They either travel alone or with a select few friends (often look for opportunities to meet new people on their travels); and (vi) They want authentic, unique experiences, rather than an off-the-shelf trip.

Source: Amadeus, 2015

Appendix 14: Main components of luxury tourism

Main components of luxury tourism

#	Observations
Accommodation	Accommodation is available everywhere and forms the basis of the tourism industry.The luxury accommodation falls into three main sub-sectors, as follows: (i) City hotels: classic luxury hotels (The Pierre in NYC; The Ritz in Paris); boutique or designer hotels (The Bulgari in Milan); destination hotels with exceptional surroundings (Monasterio in Cuzoo); (ii) Resorts and spas; beach hotels; golf hotels; mountain hotels; lodges and retreats; and (iii) Vacation-ownership properties and self-catering villas. According to UNTWO, as of 2011 the global luxury segment was estimated at approximately 200,000 rooms in 200 destinations out of a total of between 18-20 million rooms (app. 1% of the global market).
Transportation	Even more than accommodation, transportation is the essence of travel. Four transportation sub-sectors were considered to be part of luxury travel and tourism, as follows: (i) Air travel, such as scheduled airlines' first class and business class, as well as private aviation; (ii) Railway travel, such like high-end train between destinations with most providers offering first class carriages or as part of the holiday itself; (iii) Water travel, such like (river, classical and exploration) cruises which provide excellent levels of comfort and safety for affluent customers; and (iv) Road travel, such like limousine services or valet parking to executive car rentals.
Experience	Luxury travel may focus on a specific vacation experience, or may combine cultural, leisure and/or recreational activities, as follows: (i) Tours (art, history, shopping); (ii) Outdoor activities (sailing, skiing, hiking and wildlife); and (iii) Food and wine: many wineries are now developing on-site restaurants, hotels and spas to meet increasing demand from tourists.
Travel agents and tour operators	They selling travel-related products and services to customers, acting as intermediaries between suppliers and travellers. They organise experience by working in partnership with suppliers. The increasing demand in the luxury sector for highly personalised service combined with the digital challenge, resulted in a renewed importance to the agent's role. On the wholesale side, tour operators are an integral part of the international tourism industry and nowadays their role extends far beyond their original wholesaling function.

Source: Horwath, 2011

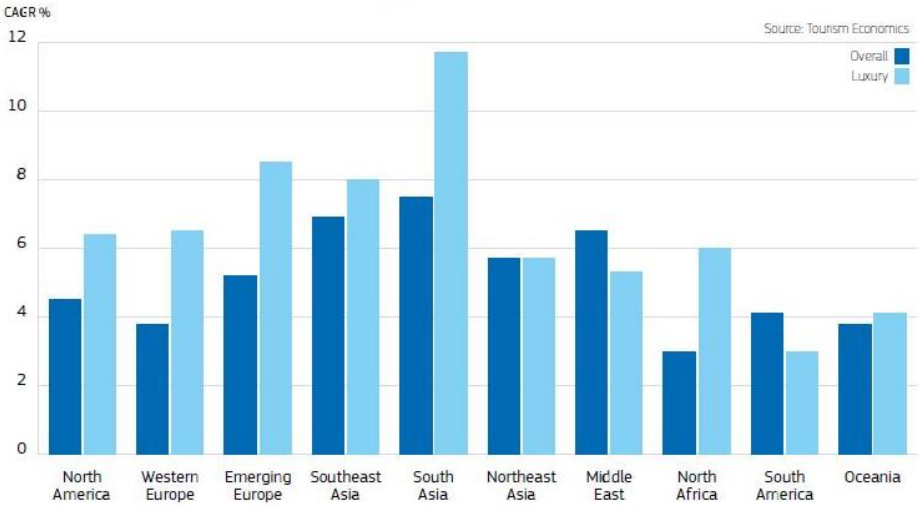
Appendix 15: Key findings on the global luxury travel market

Main luxury travel trends

#	Trends
Luxury overhaul	Luxury travel has entered a new phase, in which conspicuous consumption is giving rise to a more digital as well as meaningful and more authentic travel experiences ("old luxury" vs. "new luxury").
Luxury travel	(i) From 2011 to 2015, the demand for travel has remained constant despite testing economic times, and the luxury market has remained fairly resilient (CAGR: luxury travel (4.5%) vs. Overall travel (4.2%); (ii) As of 2015, North America and Western Europe accounted for 64% of global outbound luxury trips, despite only making up 18% of the world's population. (iii) An increase in international luxury travel is expected in the next years due to the growing tourism flows from emerging markets and aspirational middle-class consumers. From 2015 to 2025, the growth rate in outbound luxury trips is projected at 6.2%, almost a third greater than overall travel (4.8%) - see **Appendix 16**: - Asia Pacific will be the main source for many of the future's new luxury travellers, with cities in China, India, Indonesia, Japan and South Korea seeing significant growth in the number of households able to afford luxury travel; and - Outside Asia, cities in other emerging economies, such as Mexico, Brazil and Russia, will be adding to the future luxury traveller pool as high income earners grow and luxury travel becomes more affordable; and - The growing number of High Net Worth Individuals (HNWI) can help spur luxury travel spending in both emerging and developed markets (see **Appendix 17**); - In terms of hotel stays, the luxury hospitality market enjoyed steady growth in volume, with a 7% year-on-year growth from 2014-2015; - Private aviation in Western Europe experienced a 2.8% year-on-year growth before 2015; and (iv) Europe's luxury travel market will see faster growth than Asia Pacific's until 2025.
Luxury in China (an increasingly important source market)	(i) China's luxury travel market will continue to experience double-digit growth at 12.2%, albeit that at a slower pace than in the past; (ii) Despite a slight slowdown in growth, Chinese outbound travellers are predicted to reach over 87 million by 2019; (iii) The most popular destinations remain relatively close to home, with the top seven for Chinese outbound travellers all being located in Asia Pacific. Hong Kong and Macau accounted for 42% of all outbound trips in 2014 for Chinese visitors; and (iv) The disposable income levels of the Chinese are likely to continue to rise, which will lead to more Chinese tourists choosing outbound destinations over domestic trips for their holidays.
Future luxury traveller 2030	(i) In 2030, today's millennials will be aged between 30 and 50, and a new generation, already known as alpha, will be entering the workplace. The world will be predominantly urban, with over 5 billion consumers living in cities. Tourism in an urban setting will increase, with infrastructure and mindsets to change as the luxury industry evolves; (ii) Over a billion extra people will be travelling in 2030, and as a result, responsible tourism is likely to become increasingly important and necessary (especially for many top luxury destinations); (iii) The wealthy ageing population is likely to provide some challenges for the travel industry as they will continue to expect adventure and excitement on their holidays; (iv) Connectivity will become standard and authenticity and unique luxury will grow in importance for travellers.

Sources: Euromonitor, 2015 and Amadeus, 2015

Appendix 16: Growth in overall travel vs. luxury travel across regions (2015-2025)



Source: Amadeus, 2015

Appendix 17: Households with an annual disposable income over US$300,000 (constant)

Source: Euromonitor, 2015

Appendix 18: Luxury travel - major source markets and most popular destinations

On one hand, USA and China were the largest source markets for luxury travel with 9.2 and 6.9 million foreign luxury trips, respectively. In Europe, most luxury trips were undertaken by British (1.5 million), ahead of the French and the Germans. The luxury trips undertaken by the Chinese presented the largest growth rate, followed by the USA, Canada, Taiwan, Korea and the UAE. As of 2014 the luxury travel market in Russia, Japan, Mexico and Scandinavia also dropped back.

On the other hand, USA was by far the most popular luxury travel destination with 6.2 million trips, ahead of China and Mexico. In Europe, Italy and Germany shared the first place with 2.2 million luxury travel visitors each, ahead of France and Great Britain (ITB Berlin, 2015).

Appendix 19: Main KPIs - Tourism sector in Portugal

Estimates & Forecasts - Tourism in Portugal

World	2016	2016	2017	2027		
	US$bn[1]	% of total	Growth[2]	US$bn[1]	% of total	Growth[3]
Direct contribution to GDP	13	6.4	2.8	17	7.3	2.2
Total contribution to GDP	34	16.6	2.6	43	18.5	1.9
Direct contribution to employment[4]	371	8.1	3.4	441	9.6	1.4
Total contribution to employment[4]	905	19.6	3.0	1 034	22.6	1.0
Visitor exports	17	20.5	3.8	23	22.0	2.7
Domestic spending	8	4.0	0.7	9	3.9	0.9
Leisure spending	21	5.3	2.9	27	6.1	2.1
Business spending	4	1.0	2.3	5	1.2	2.4
Capital investment	3	9.8	2.4	4	10.2	2.1

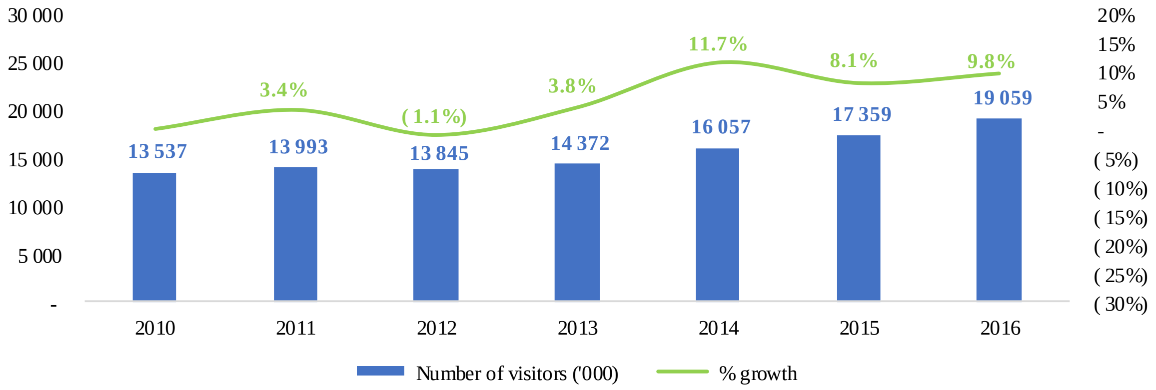
Note: [1] 2016 constant prices & exchange rates; [2] 2017 real growth adjusted for inflation (%);
[3] 2017-2027 annualised real growth adjusted for inflation (%); [4] 000 jobs
Source: World Travel & Tourism Council, 2017

KPIs - Tourism sector in Portugal

#	2016	2016-2015		% of total
	Jan-Dec	Var. %	Var. abs	
Visitors (thousands)	**19 059**	***9.8%***	**1 701**	***100.0%***
Residents in Portugal	7 636	*5.8%*	418	*40.1%*
Foreigners	11 423	*12.7%*	1 283	*59.9%*
Overnight stays (thousands)	**53 517**	***9.6%***	**4 666**	***100.0%***
Residents in Portugal	15 240	*5.2%*	758	*28.5%*
Foreigners	38 276	*11.4%*	3 908	*71.5%*
Profits (€ in millions)	**2 900**	***17.0%***	**421**	***100.0%***
Rooms	2 097	*18.0%*	320	*72.3%*
Others	804	*14.4%*	101	*27.7%*
RevPar (€)	**42.6**	***13.3%***	**5**	***n.a.***

Source: Turismo de Portugal, 2017

Total number of visitors (2010-2016) - Portugal



Source: Turismo de Portugal, 2017

Overnight stays from foreigners (Top 10 Portugal)

#	2016 Jan-Dec	2016-2015 Var. %	2016-2015 Var. abs	% of total
United Kingdom	9 154	*9.8%*	814	*23.9%*
Germany	5 258	*9.7%*	467	*13.7%*
Spain	3 962	*8.3%*	303	*10.4%*
France	3 929	*18.0%*	600	*10.3%*
Netherlands	2 396	*13.3%*	281	*6.3%*
Brazil	1 484	*13.6%*	178	*3.9%*
Ireland	1 355	*11.1%*	135	*3.5%*
EUA	1 170	*20.8%*	201	*3.1%*
Italy	1 161	*11.6%*	121	*3.0%*
Belgium	884	*9.4%*	76	*2.3%*
Others	7 524	*10.8%*	732	*19.7%*
Total	**38 276**	***11.4%***	**3 908**	***100.0%***

Source: Turismo de Portugal, 2017

Total overnight stays (2010-2016) - Portugal

Source: Turismo de Portugal, 2017

Tourism revenues (Top 10 Portugal)

€ in millions	2016 Jan-Dec	2016-2015 Var. %	2016-2015 Var. abs	% of total
France	2 277	*13.5%*	271	*18.0%*
United Kingdom	2 267	*12.9%*	260	*17.9%*
Spain	1 641	*12.6%*	184	*12.9%*
Germany	1 482	*17.6%*	222	*11.7%*
EUA	593	*11.9%*	63	*4.7%*
Netherlands	586	*15.0%*	77	*4.6%*
Brazil	400	*6.4%*	24	*3.2%*
Belgium	388	*9.6%*	34	*3.1%*
Switzerland	353	*20.6%*	60	*2.8%*
Ireland	313	*16.0%*	43	*2.5%*
Others	2 381	*(0.3%)*	(8)	*18.8%*
Total	**12 681**	***10.7%***	**1 230**	***100.0%***

Source: Turismo de Portugal, 2017

Appendix 20: SWOT analysis - Tourism sector in Portugal

SWOT analysis - Tourism sector in Portugal

Strengths	Weaknesses
- Geostrategic location as an international hub; - Pleasant weather, light, sun and sea; - Diversity and high value of historical-cultural and natural heritage; - Creative and entrepreneurial ecosystem linked to tourism; - Upgrade in accommodation and restaurants; - New forms of accommodation of recognized quality; - Hospitality; - Value for money relation; - Safety; - Diversity of tourist offerings; - Gastronomy; - Ease of access and proximity between the various tourist destinations; - Number of people that speak Portuguese; and - 60% of the Portuguese people speak two languages.	- Precarious economic and financial framework and small enterprises; - Lack of institutional and intervenient agents coordination in the tourist market; - Lack of information provided regarding the tourist offerings; - Tourism enterprises have little presence in the digital world; - Lack of knowledge and information about tourism; - Insufficient presence of international chains/brands; - Lack of product structuring; - Low level of qualification and income of the professionals; - Absence or poor tourist signpostings; - Contextual costs; - Regional asymmetries; - Seasonality; - Information gap on foreign markets regarding Portugal as a tourist destination; and - Tourist supply not well-suited for different markets and segments.
Threats	**Opportunities**
- Increased pressure on destinations and resources; - Difficulty of establishing and developing Portugal destination in the European market before the demand from countries outside Europe and the emergence of new destinations; - Climate change; - Insecurity growth phenomena; - European economic and financial situation and commitment to have access to financing; - Uncertain economic growth of some issuing countries; - Possibility of tourist overloading in some destinations and its negative externalities; - Protectionist policies; and - Brexit and its impacts.	- Forecasts growth for tourism up to 2030; - Political recognition and inter-institutional mobilization for the country's tourism development; - Changing consumption patterns and motivations, which favour destinations that offer diversified and authentic experiences as well as environmental quality; - Growth of senior tourism and greater financial availability to travel in certain segments, that allow it to grow in volume and value; - Increasing demand for healthy lifestyle and well-being; - Emergence of alternative forms of financing (e.g. crowdfunding, entrepreneurship social tools); - Capturing international investment; and - Opening of direct links to new markets (namely, China).

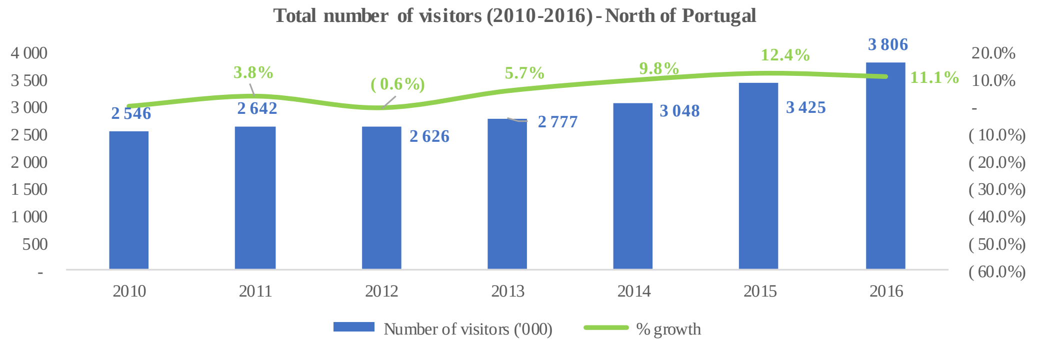
Source: Turismo de Portugal, 2017

Appendix 21: Main KPIS - Tourism sector in the North of Portugal

KPIs - Tourism sector in the North Region

#	2016	2016-2015		% of total
	Jan-Dec	Var. %	Var. abs	
Visitors (thousands)	**3 806**	***11.1%***	**381**	***100.0%***
Residents in Portugal	1 998	*5.9%*	111	*52.5%*
Foreigners	1 808	*17.6%*	271	*47.5%*
Overnight stays (thousands)	**6 884**	***12.8%***	**781**	***100.0%***
Residents in Portugal	3 072	*6.8%*	195	*44.6%*
Foreigners	3 812	*18.2%*	586	*55.4%*
Profits (€ in millions)	**362**	***21.6%***	**64**	***100.0%***
Rooms	269	*23.4%*	51	*74.4%*
Others	92	*16.5%*	13	*25.6%*
RevPar (€)	**35.0**	***17.8%***	**5**	***n.a.***

Source: Turismo de Portugal, 2017

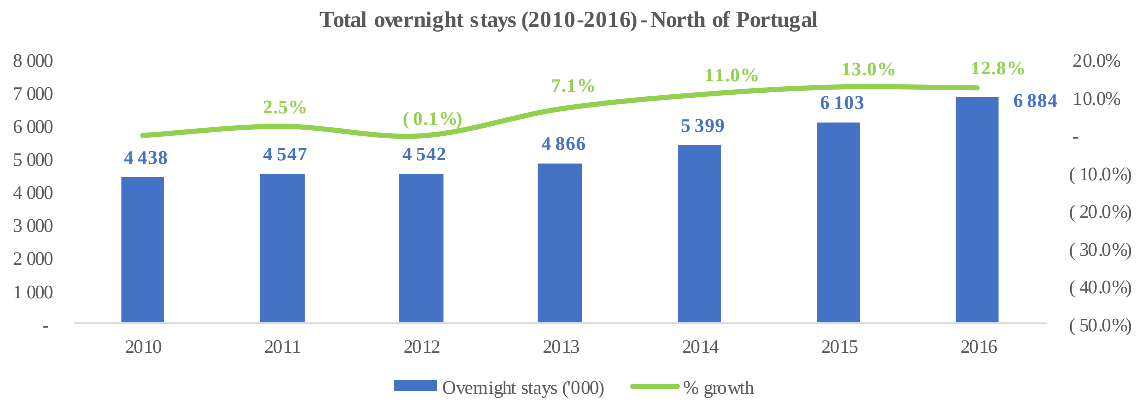


Source: Turismo de Portugal, 2017

Overnight stays from foreigners (Top 10 North Region)

#	2016 Jan-Dec	2016-2015 Var. %	2016-2015 Var. abs	% of total
United Kingdom	891	*16.1%*	124	*23.4%*
Germany	608	*19.2%*	98	*15.9%*
Spain	344	*24.3%*	67	*9.0%*
France	289	*12.2%*	31	*7.6%*
Netherlands	258	*23.2%*	49	*6.8%*
Brazil	172	*17.9%*	26	*4.5%*
Ireland	151	*27.6%*	33	*4.0%*
EUA	138	*16.8%*	20	*3.6%*
Italy	111	*14.9%*	14	*2.9%*
Belgium	87	*22.2%*	16	*2.3%*
Others	764	*16.6%*	109	*20.0%*
Total	**3 812**	***18.2%***	**586**	***100.0%***

Source: Turismo de Portugal, 2017



Source: Turismo de Portugal, 2017

Appendix 22: Porto and Douro's strategic products

Strategic products - Porto and Douro

#	Porto	Douro
Anchor products	-City and short breaks; - Cultural and landscape tours; - Nautical tourism; - Gastronomy & wine; - Business.	- Nautical tourism (cruises and tours in Douro); - Gastronomy & wines (Quintas); - Cultural and landscape tours; - Nature.
Complementary products	- Health and wellness; - Golf; - Beach & Sun; - Nature.	- Religious tours; - Health and wellness; - Golf; - Business.

Source: Turismo de Portugal, 2015

Appendix 23: Porto and Douro's positioning and segmentation

Positioning and segmentation - Porto and Douro

Market perception			
Modernity	**Authenticity**	**Proximity**	**Safety**
Combination of culture and tradition with innovation and modernity.	Genuine destination where traditions and customs are deeply rooted.	Destination less than 3 hours from major European markets.	Quiet and safe environment.
Quality	**Hospitality**	**Natural resources**	**Historical-Cultural Heritage**
Service of high added value.	Personalized service and familiar atmosphere.	Wide range of activities and experiences of contact with nature.	Vast historical, cultural and architectural heritage.

Source: Turismo de Portugal, 2015

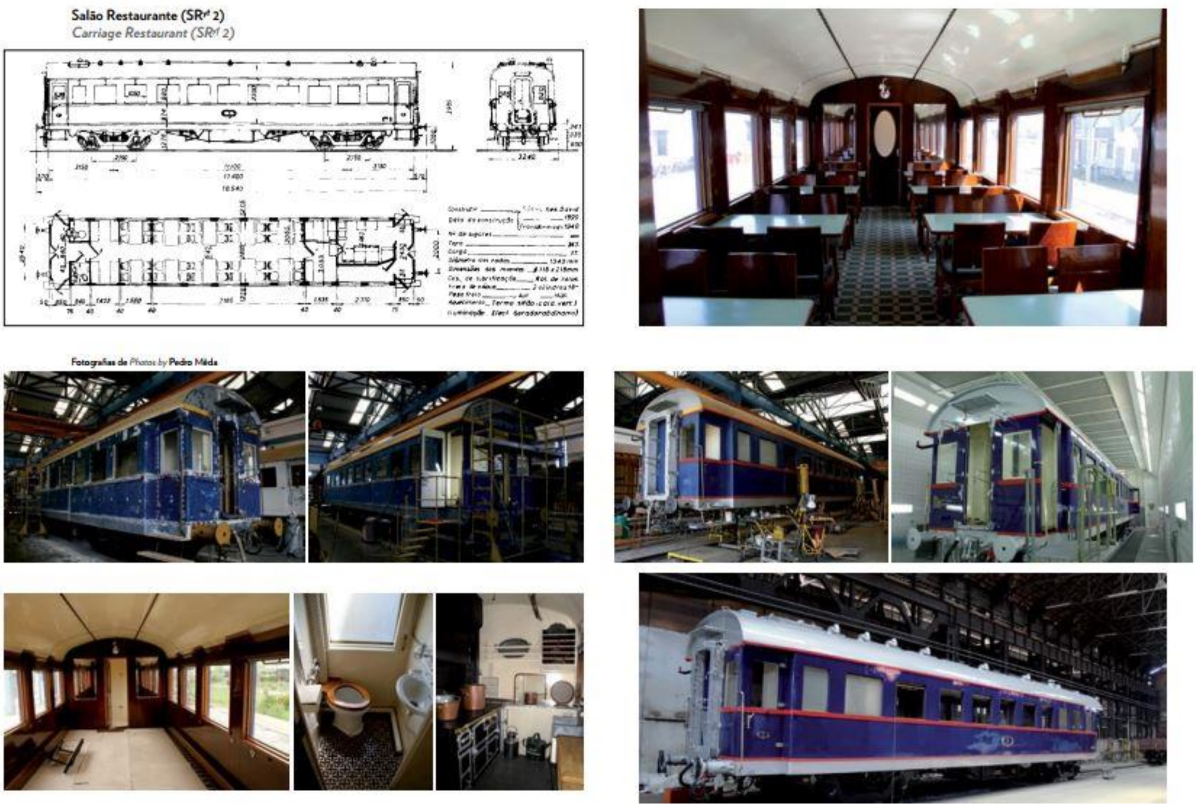
Appendix 24: The Presidential Train composition

Table 1: The Presidential Train composition

Vehicle	Designation	Year of construction	Constructer
SRyf 2	Carriage Restaurant	1 890	Désouches David & Cie, France
Syf 3	Carriage of Delegation and Security	1 890	Désouches David & Cie, France
Syf 4	Carriage of the Ministers	1 890	Désouches David & Cie, France
Syf 5	Carriage of the Head of State	1 930	Linke-HofFmann Busch, Brauschweig, Germany
A7yf 704	Carriage of Journalists	1 930	Nicaise & Delcuve, Bruges, Belgic
Dyf 408	Wagon	1 930	Baume & Marpent, Hainaut, Belgic

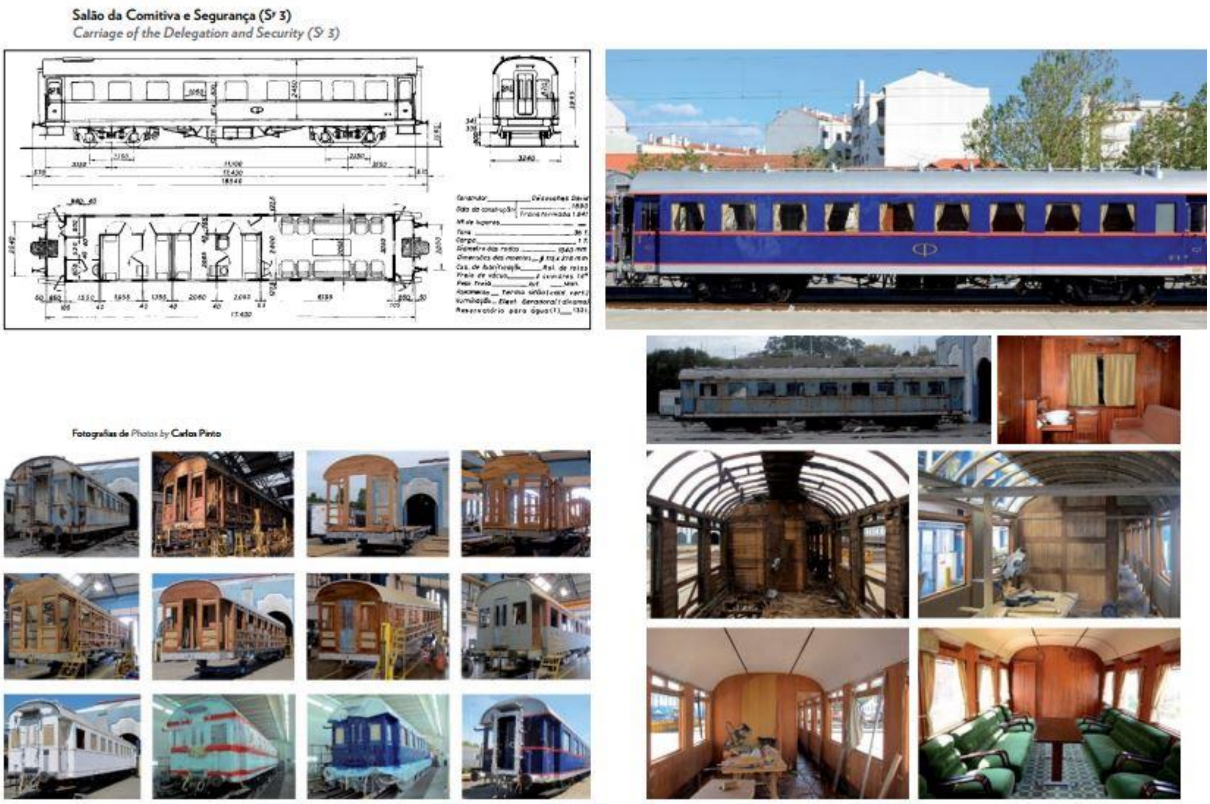
Source: National Railway Museum Foundation website

Carriage Restaurant (images)



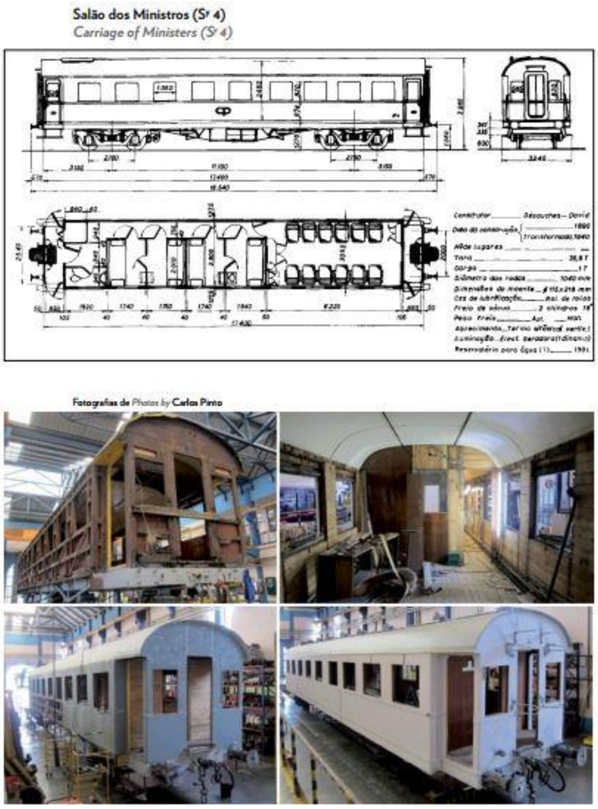
Source: FMNF website, 2017

Carriage of Delegation and Security (images)



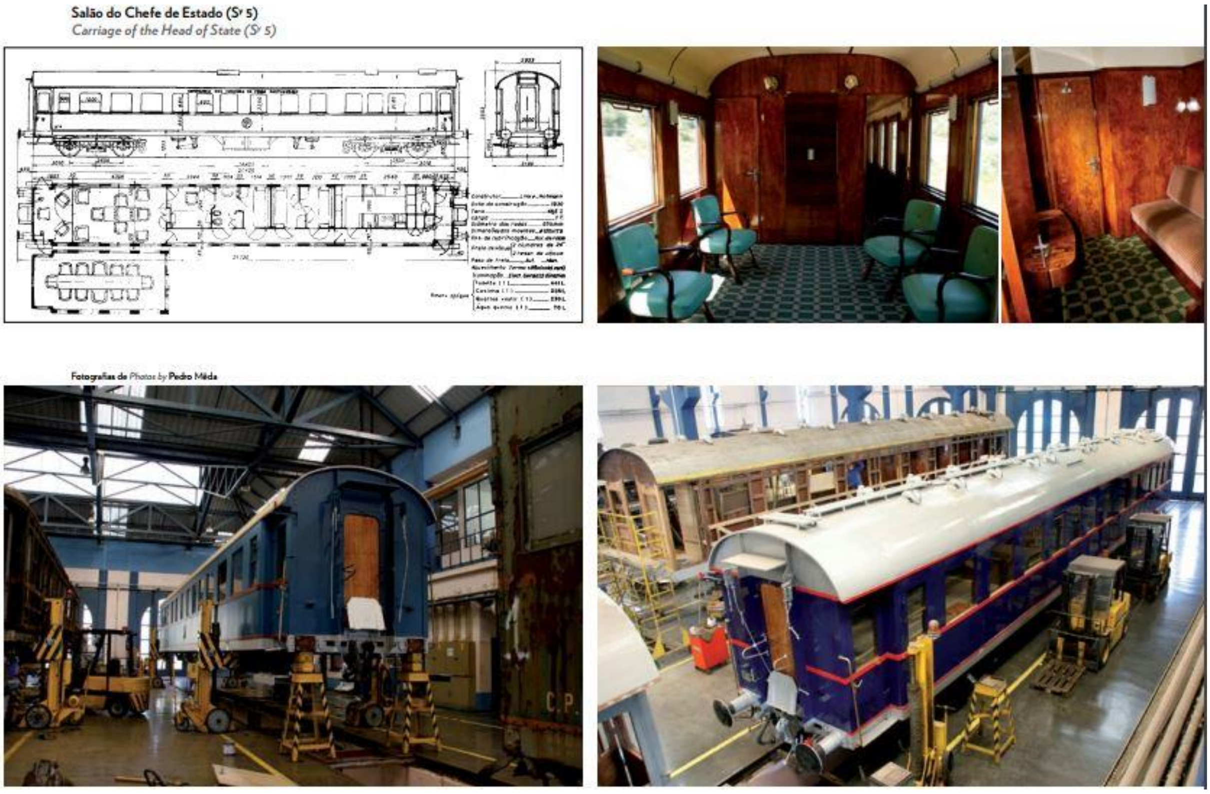
Source: FMNF website, 2017

Carriage of the Ministers (images)



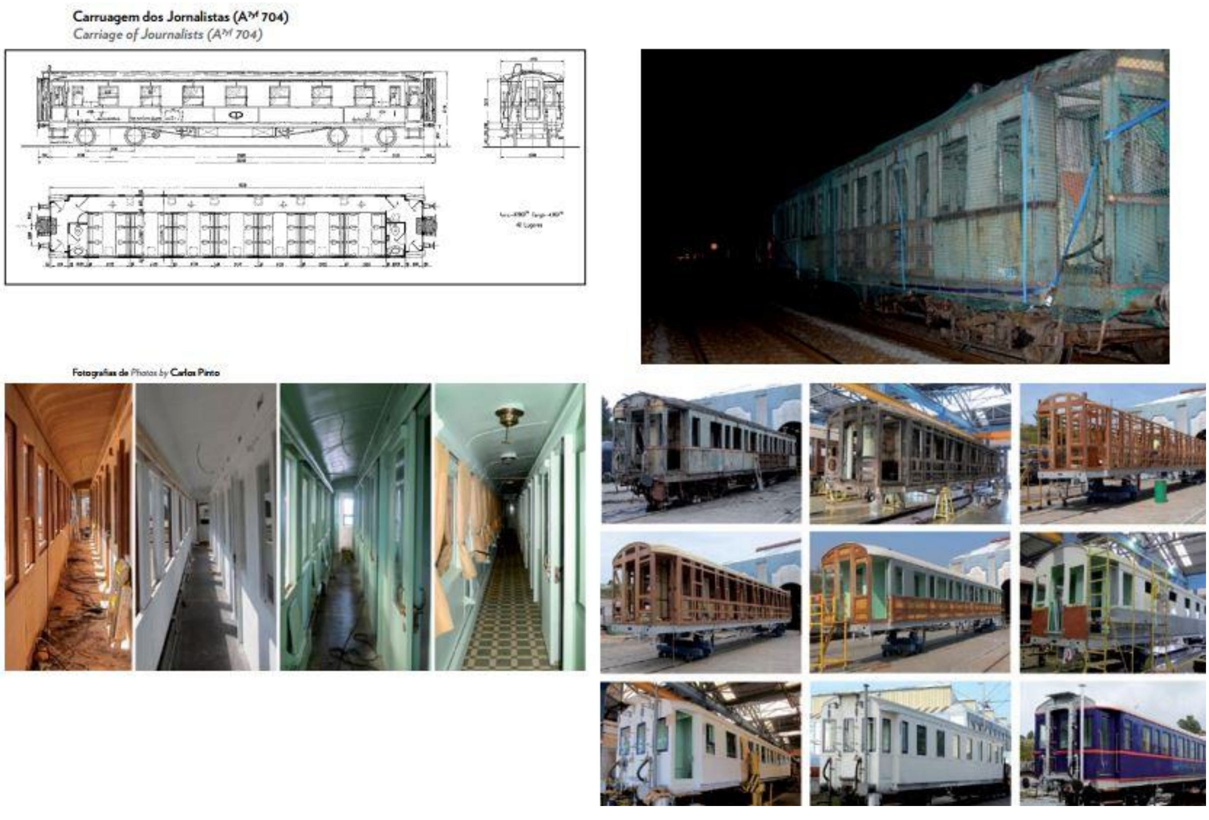
Source: FMNF website, 2017

Carriage of the Head of State (images)



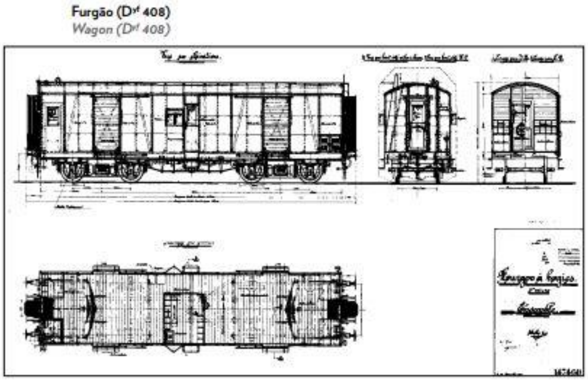
Source: FMNF website, 2017

Carriage of the Journalists (images)



Source: FMNF website, 2017

Wagon (images)



Fotografias de Photos by Pedro Méda

Source: FMNF website, 2017

Appendix 25: The Presidential Tours

The Presidential Tours

Activities	1 day pack	2 days pack	3 days pack	Comments
1 cabin seat (in shared cabins of 2, 3 or 6 passengers)	✓	✓	✓	The Presidential experience
1 lunch seat at one of the restaurant carriages (in shared tables of 4 guests)	✓	✓	✓	
4 dish degustation and wine harmonization	✓	✓	✓	
Exclusive access to Quinta do Vesúvio	✓	✓	✓	
Port wine tasting	✓	✓	✓	
Live music at the bar carriage lounge	✓	✓	✓	
Tea room	✓	✓	✓	
Exclusive gift bag	✓	✓	✓	
Collection book signed by the Chef	✓	✓	✓	
Special prices on selected partner hotels	✓	✓	✓	
Exclusive participation in the ritual of the grape treading	✗	✓	✓	
Boat ride	✗	✓	✗	
Sleeping in Rio House	✗	✓	✗	
SPA	✗	✗	✓	
Dining	✗	1	3	
Lunch	✗	1	1	
Nr. of Intercontinental nights	✗	✗	2	
Nr. of Six Senses nights	✗	✗	1	
Price per person (€, VAT included)	**500**	**2 000**	**4 000**	

Source: The Presidential website

2 days pack

Programme
1st day
The Presidential experience (Porto-Vesúvio)
Dinner at Quinta do Vesúvio
Grape treading ceremony
Night at Casa do Rio
2nd day
The Presidential experience (Vesúvio-Porto)

Note: The 2 day programme is completely flexible to the client needs and interests.
Source: The Presidential Train website | http://www.thepresidentialtrain.com/

3 days pack

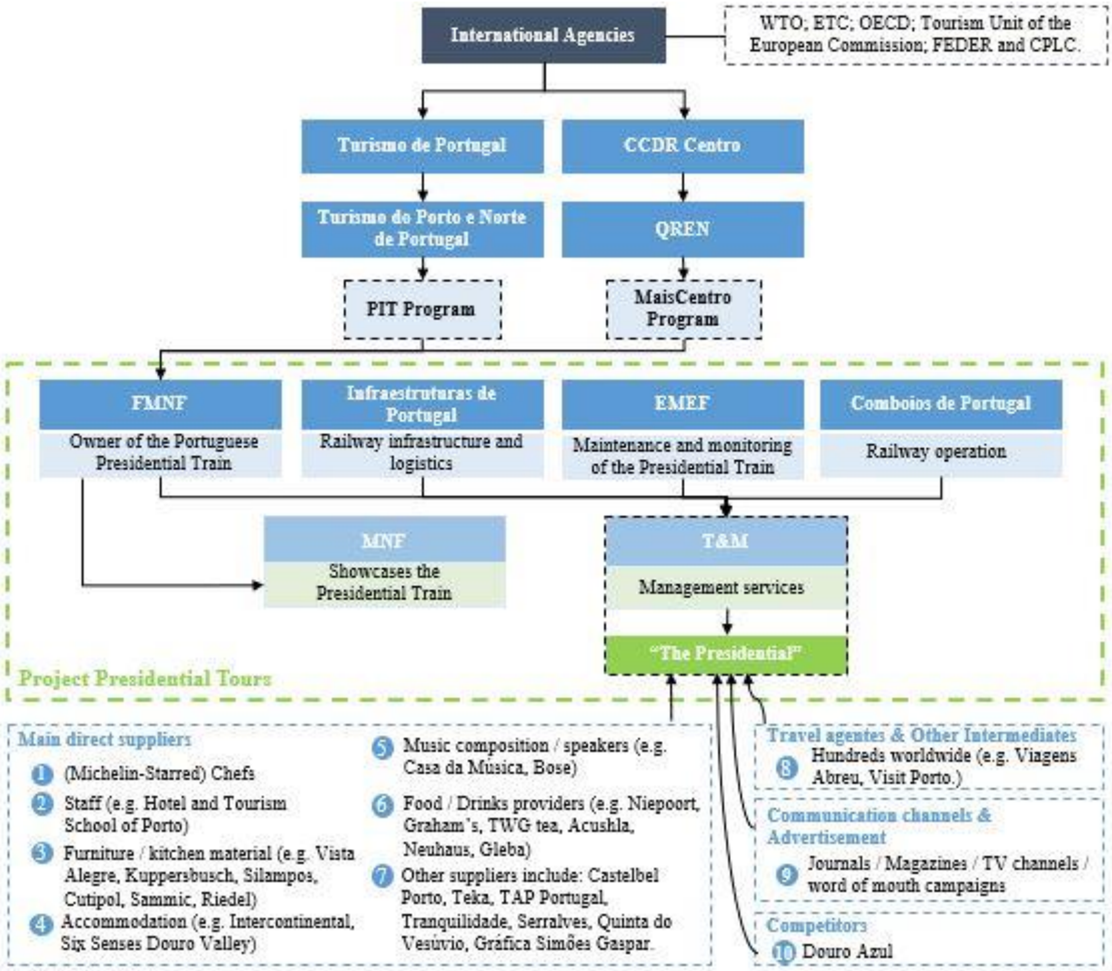
Programme
1st day
Pick-up at the airport and a private driver during the entire experience
Private Tours to Serralves and Casa da Música
Dinner at Pedro Lemos
Night at the Intercontinental Hotel
2nd day
The Presidential experience (Porto - Vesúvio)
Dinner at the Six Senses Douro Valley
Night at the Six Senses Douro Valley
3th day
Spa ate the Six Senses Douro Valley
Lunch at DOC
The Presidential experience (Vesúvio - Porto)
Dinner at "O Gaveto"
Night at the Intercontinental Hotel
4th day
Drop off at the airport

Note: The 2 day programme is completely flexible to the client needs and interests.
Source: The Presidential Train website | http://www.thepresidentialtrain.com/

Appendix 26: The Presidential experience

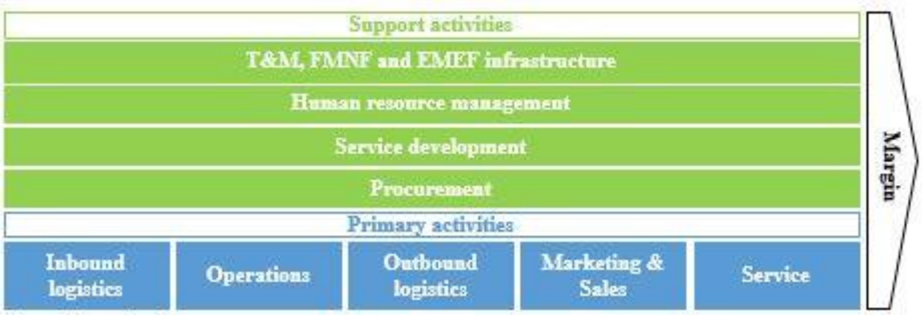
Source: The Presidential website, 2017

Appendix 27: The Presidential's industry map



Source: Own analysis

Appendix 28: The Presidential's value chain



Source: Own analysis

Appendix 29: The Presidential's VRINNO model

Competitive advantage table (VRINNO) - The Presidential

Type	#	Valuable	Rare	Inimitable	Non-substitutable	Non-transactionable	Organizationally embedded	Competitive advantage
Specialized assets	Reputation	Yes	Yes	Yes	Yes	Yes	Yes	Sustainable
	Brand value	Yes	Yes	Yes	Yes	Yes	Yes	Sustainable
	Location	Yes	Yes	-	Yes	Yes	Yes	Temporary advantage
	Presidential Train	Yes	Yes	Yes	Yes	Yes	Yes	Sustainable
	Original content	Yes	Yes	-	-	-	Yes	Temporary advantage
Competencies	Brand Management	Yes	Yes	-	-	-	Yes	Temporary advantage
	Service development	Yes	Yes	Yes	Yes	Yes	Yes	Sustainable
	Procurement	Yes	Yes	-	-	-	Yes	Temporary advantage
	Human resource management	Yes	Yes	Yes	Yes	Yes	Yes	Sustainable
	Financial management	Yes	-	-	-	-	-	Comparative parity
	Technology	Yes	-	-	-	-	Yes	Comparative parity
	Knowledge accumulation	Yes	Yes	-	-	-	Yes	Comparative parity
Architecture of relations	Strategic alliances	Yes	Yes	-	Yes	Yes	Yes	Temporary advantage
	Local government	Yes	-	-	-	-	-	Comparative parity
	Network of finance providers	Yes	-	-	-	-	-	Comparative parity

Source: Own analysis

Appendix 30: The Presidential's Organizational Resource Platform

Organizational Resource Platform - The Presidential

Specialized assets	Strategic importance	Relative Strength	CA
Reputation	9	9	S
The Presidential's reputation is a very important strategic asset in order to ensure customer's loyalty and to secure new customers.			
Brand value	9	9	S
The Presidential's brand value is key to capture abnormal returns in the market by ensuring customer's loyalty and securing new customers. Even though it considered the very best luxury experience in Portugal, the Presidential Train is still in a very early stage (2 years of operations).			
Location	9	9	T
The Presidential departs from S. Bento Station (in Porto city) through one of the most beautiful wine regions in the world (Douro Valley). In fact, the outstanding location of its tours make it more accessible and valuable to customers.			
Presidential train	10	10	S
By its idiosyncratic characteristics, the Presidential train is not available to the firm's competitors (T&M owns a non-exclusive contract for the Presidential Train concession). This is the main strategic asset that confers uniqueness to the Presidential Tours.			
Original content	9	9	T
One of the Presidential Tours key strengths is indeed its original / authentic content (besides the century train, the tours include the best Portugal's products: e.g. Douro's Port wines) which provides a unique experience to customers.			

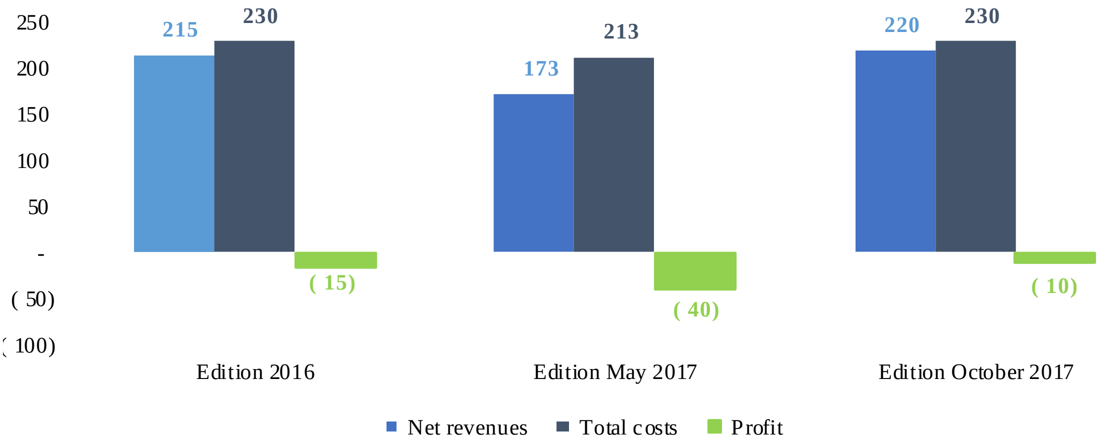
Architecture of relations	Strategic importance	Relative Strength	CA
Strategic alliances	9	8	T
The Presidential established close relations with several partners (i) FMNF (the owner of the Presidential Train) and EMEF are entirely responsible for the recovery and rehabilitation of the Presidential Train and (ii) IP and CP manage the railway infrastructures, logistics and operations.			
Local Government	5	6	CP
The Presidential must take into account all the legal procedures that are under Government control and that will undermine its operations.			
Network of finance providers	5	6	CP
It is of utmost importance to maintain a good and healthy relationship with Financial Institutions in what regards to refunding fees (in case for future investment requirements).			

Competencies	Strategic importance	Relative Strength	CA
Brand Management	8	8	T
The Presidential's brand awareness will impact image and inherent value of the Presidential Tours.			
Service development	10	9	S
Innovation has been at the heart of The Presidential (developing a new service concept and new ways of providing it to customers) which translates into a competitive advantage.			
Procurement	8	7	T
The procurement is fundamental to gather funding, agree terms and acquire the best products, when aspects such as quality, time and location are crucial.			
Human resource management	9	9	S
The Presidential's main source of know-how and most importance competence, human resource management. This resource is fundamental in securing the top talented Chefs, waiters, baristas and assistants who will further develop their processes and improve the customer experience.			
Technology	4	5	CP
The Presidential has facilitated communication and transfer of information through technology (website, media, social media, radio, and others). Undoubtedly, technology is an enabler of tourism.			
Financial management	5	6	CP
Even though the main goal is to create the best luxury experience to customers, this is only possible with financial stability.			
Knowledge accumulation	8	7	CP
The Presidential started operating in 2016 and its Management team and partners, in particular Gonçalo Castel-Branco and FMNF, have a broad experience in the field.			

Notes:
(i) Scale: 1 - Lowest and 10 - Highest; (ii) Competitive advantage (CA); (iii) Sustainable competitive advantage (S); (iv) Temporary competitive advantage (T); and (v) Comparative Parity (CP).
Source: Own analysis

Source: Own analysis

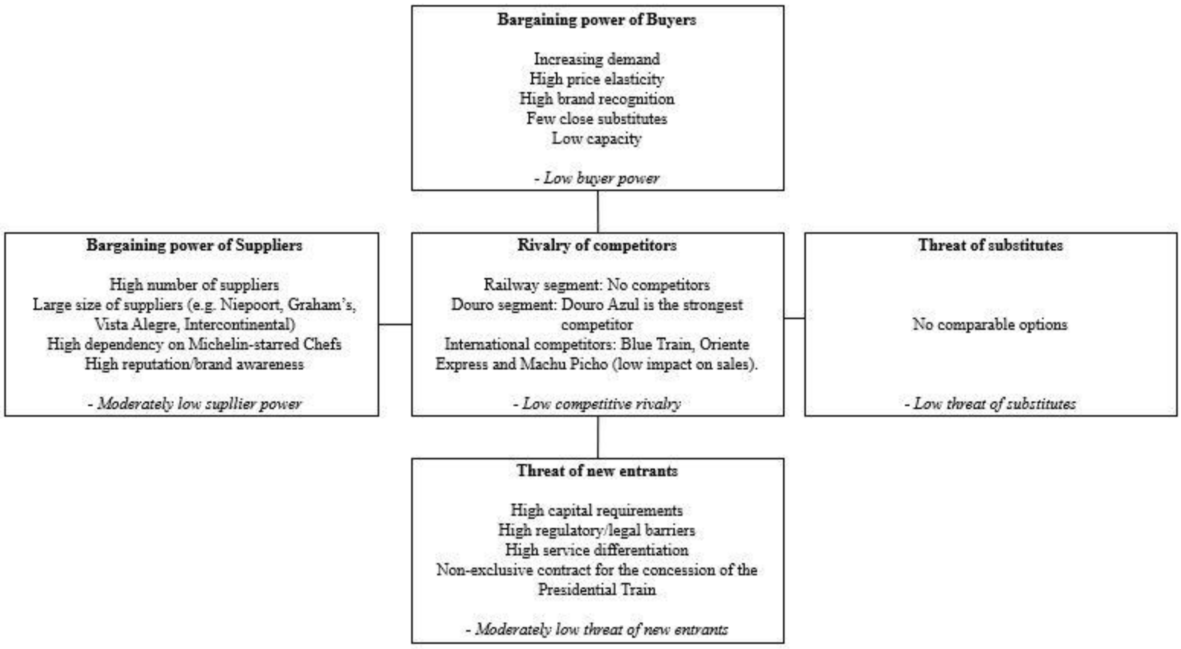
Appendix 31: The Presidential's net revenues and total costs



Note: Net revenues = Total revenues - commission to travel agents (20%) - VAT (23%)

Source: Information obtained from Gonçalo Castel-Branco

Appendix 32: Porter's Five Forces model – The Presidential



Source: Own analysis

Appendix 33: SWOT analysis - The Presidential

SWOT analysis - The Presidential

Strengths	Weaknesses
- First mover advantage; - High brand recognition / reputation; - Unique strategic resources (e.g. a patrimonial train of unique value); - Original/Authentic content; - Location (Douro Valley); - Accessibility (S. Bento Station in Porto city); - Flexibility (the 2 and 3 day packs are flexible to the client needs and interests); - Low bargaining pow er from customers and suppliers; - Strong management team; - International aw ards (voted the Best World's Event in 2017 by Beaw orld); - Netw ork of relations; and - Support from outstanding partners (FMNF, EMEF, IP and CP).	- Non-exclusivity of the contract w ith FMNF; - Low capacity (64 seats maximum); - Seasonality: (i) the Presidential Train only operates in both Spring and Harvest seasons; and (ii) runs only 25 times per year; - Rigorous criteria on a historical point of view (e.g. no air condicioned allow ed); - High price; and - Lack of communication/promotion (during inoperative months).
Threats	**Opportunities**
- Lack of demand for luxury products/services in Portugal; - Precarious economic and financial framew ork of the Portuguese people (domestic demand is very representative in The Presidential's sales); - Uncertain economic grow th of some important issuing countries (e.g. Brazil, England, France and Spain); - Possiblity of tourist overloading in Porto / Douro and its negative externalities; - Spain vs. Portugal: Douro river fight - Rising competition (e.g. Douro Azul train in Tua River); - Climate change.	- Forecast grow th for luxury tourism up to 2025 w orldw ide; - P&E luxury market estimated to grow significantly w orldw ide ("Millennials"); - Cultural tours as the most popular type of luxury holidays; - Gastronomy & Wine and Cultural tourism w ith a good grow th in Portugal; - Portugal perceived as one of the safest country in the w orld; - Majority of tourists (53%) come to Portugal for leisure, recreation and holidays; - International acknow ledgments and aw ards w on by Portugal, Porto and Douro; - Portugal, Porto and Douro's improvements on its tourist resources and supporting infraestrcutures that suit high yield tourism; - Opening of direct air links to important markets (e.g. China); - Grow th in online channel; - Word of mouth campaigns.

Source: Own analysis

Appendix 34: PESTEL analysis - The Presidential

	Trend 1 Optimistic scenario	Trend 2 Pessimistic secnario
Social demographic	- Consumption patterns tow ards more meaningful and authentic travel experiences; - Over a billion extra people w ill be travelling in 2030, and as a result, responsible tourism is likely to become increasingly important and necessary.	- The ageing of the w orld population is likely to provide some challenges for the travel & tourism industry as they continue to expect adventure and excitement on their holidays.
Technological	- Technology is shaping the travel experience; - Mainly through social media and mobile technology w hich are on the rise (facilitating bookings, check-ins, messages and several other things); - How ever, that does not reduce the value of human touch.	- Technology goes to far and shapes the travel industry completely, reducing the value of human touch.
Economical	- Economic situation w ill continue to grow stronger and w ith it consumer spending.	- Economic slow dow n; and - Consumers w ill be w illing to cut on their travel expenses.
Environmental	- Climate change is still controlled; - Travel & tourism industry progressively more attentive to green principles; - Focus on ecotourism;	- Climate changes so drastically that impacts the w hole travel & tourism industry; - Major touristic destinations, like Portugal, need to change their value offer completely.
Political	- Portugal progressively perceived as one of the safest country in Europe and w ith good reputation on the political landscape; - Tourism continues to flourish in an environment free of turmoil.	- Both Brexit and terrorism progressively hurt revenues; - Several terrorist events in Portugal may affect tourism deeply for a prolonged period.
Legal	- Legal do not have significant changes.	- The legal pressures and local law s (e.g. public safety and labor law s) in the tourism environment are increasingly high.

Source: Own analysis

Appendix 35: Questions used in the interviews

<u>Page 1</u>

Gender:

❑ Female

❑ Male

Age:

❑ Under 18

❑ Under 30

❑ Under 50

❑ 51 – 60 years

❑ 61 – 70 years

❑ More than 70 years

Country of residence:

A: ______________________

Working status:

❑ Self-employed

❑ Employed

❑ Unemployed

❑ Student or working-student

❑ Retired

❑ Other

Marital status:

❑ Married

❑ Single

❑ Divorced

❑ Other

Education level:

❑ Until elementary school (until the 4th grade)

❑ Middle school (5th to 9th grade)

❑ High school (10th to 12th grade)

❑ Undergraduation

❑ Masters' degree or higher education

Have you ever travelled with the Portuguese Presidential Train before?

❑ Yes

❑ No

If yes:

How many times did you travel with the Presidential Train?

❑ 1 time

❑ 2-3 times

❑ 4-6 times

❑ More than 6 times

On a scale from 1 to 5, your perception of the Presidential Train is (1 means very bad and 5 means very good):

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, what's your intention to recommend the Presidential Train to your relatives and friends? (1 means least likely and 5 means most likely)

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, what's your intention to recommend Porto and Douro region to your relatives and friends? (1 means least likely and 5 means most likely):

❑1 ❑2 ❑3 ❑4 ❑5

Page 2

On a scale from 1 to 5, what's your intention to return to Porto and Douro region? (1 means least likely and 5 means most likely)

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, how would you rate Porto city as a luxury touristic destination? (1 means very low and 5 means very high)

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, how would you rate Douro region as a luxury touristic destination? (1 means very low and 5 means very high)

❑1 ❑2 ❑3 ❑4 ❑5

If no:

Where did you get the information about the Presidential Train from?

❑ Magazines / Newspaper

❑ Opinion maker

❑ Friends & Family

❑ Internet

❑ Other: ____________________

On a scale from 1 to 5, your perception of the Presidential Train is (1 means very bad and 5 means very good):

❑1 ❑2 ❑3 ❑4 ❑5

Why did you never travel with the Presidential train?

❑ It operates only a few days per year

❑ Too expensive

❑ Low level of promotion

❑ Porto / Douro is not perceived as a luxury touristic destination

❑ I did not have the chance until yet

❑ Other: ____________________

On a scale from 1 to 5, what's your intention to recommend Porto city and Douro region to your relatives and friends? (1 means least likely and 5 means most likely):

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, what's your intention to return to Porto city and Douro region? (1 means least likely and 5 means most likely)

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, how would you rate Porto city as a luxury touristic destination? (1 means very low and 5 means very high)

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, how would you rate Douro region as a luxury touristic destination? (1 means very low and 5 means very high)

❑1 ❑2 ❑3 ❑4 ❑5

Appendix 36: Questions used in the online survey

Page 1

The Presidential Train | Master Thesis | Survey

Gender:

❑ Female

❑ Male

Age:

❑ Under 18

❑ Under 30

❑ Under 50

❑ 51 – 60 years

❑ 61 – 70 years

❑ More than 70 years

Country of residence:

A: ______________________________

Working status:

❑ Self-employed

❑ Employed

❑ Unemployed

❑ Student or working-student

❑ Retired

❑ Other

Marital status:

❑ Married

❑ Single

❑ Divorced

❑ Other

Education level:

❑ Until elementary school (until the 4th grade)

❑ Middle school (5th to 9th grade)

❑ High school (10th to 12th grade)

❑ Undergraduation

❑ Masters' degree or higher education

On a scale from 1 to 5, your perception of the Presidential Train is (1 means very bad and 5 means very good):

❑1 ❑2 ❑3 ❑4 ❑5

Overall, from your experience, how would you rate the relation price / quality of the Presidential Train package? (1 means very inappropriate and 5 means very appropriate)

❑1 ❑2 ❑3 ❑4 ❑5

How would you rate your gastronomy & wine experience in the Presidential Train? (1 means very unsatisfied and 5 means very satisfied)

❑1 ❑2 ❑3 ❑4 ❑5

During your trip, did you feel emotionally connected with the Douro's cultural heritage? (1 means very unsatisfied and 5 means very satisfied)

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, how would you rate the following statements? (1 means you disagree completely and 5 means you agree completely)

(i) The Presidential Train is comfortable and safe

❑1 ❑2 ❑3 ❑4 ❑5

Page 2

The Presidential Train | Master Thesis | Survey

(ii) The staff is professional and in adequate number

❑1 ❑2 ❑3 ❑4 ❑5

(iii) The duration of the trip is suitable

❑1 ❑2 ❑3 ❑4 ❑5

(iv) The Presidential is a unique tour when compared to other tours in Douro

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, what's your intention to recommend the Presidential Train to your relatives and friends? (1 means least likely and 5 means most likely)

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, what's your intention to travel with the Presidential Train again? (1 means least likely and 5 means most likely)

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, how would you rate Porto city as a luxury touristic destination? (1 means very low and 5 means very high)

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, how would you rate Douro region as a luxury touristic destination? (1 means very low and 5 means very high)

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, what's your intention to recommend Porto and Douro region to your relatives and friends? (1 means least likely and 5 means most likely):

❑1 ❑2 ❑3 ❑4 ❑5

On a scale from 1 to 5, what's your intention to return to Porto and Douro region? (1 means least likely and 5 means most likely)

❑1 ❑2 ❑3 ❑4 ❑5

Do you have any comments, questions, or concerns about your experience with the Portuguese Presidential Train? (optional)

A: ______________________________

Appendix 37: Data from interviews / online survey - General indicators

Gender

#	Total	%
Male	46	42.2%
Female	63	57.8%
Total	**109**	**100.0%**

Source: Own analysis

Age

#	Total	%
Under 18	3	2.8%
Under 30	31	28.4%
Under 50	39	35.8%
51-60	27	24.8%
61-70	7	6.4%
More than 70	2	1.8%
Total	**109**	**100.0%**

Source: Own analysis

Country of residence

#	Total	%
Austria	2	1.8%
Brazil	5	4.6%
Bulgaria	1	0.9%
Denmark	1	0.9%
France	1	0.9%
Germany	3	2.8%
Ireland	2	1.8%
Luxemburg	1	0.9%
Portugal	88	80.7%
United Kingdom	3	2.8%
USA	2	1.8%
Total	**109**	***100.0%***

Source: Own analysis

Domestic vs. Foreign demand

#	Total	%
Domestic	88	80.7%
Foreign	21	19.3%
Total	**109**	***100.0%***

Source: Own analysis

Working status

#	Total	%
Self-employed	27	24.8%
Employed	62	56.9%
Stud. or working student	11	10.1%
Retired	8	7.3%
Other	1	0.9%
Total	**109**	***100.0%***

Source: Own analysis

Marital status

#	Total	%
Married	45	41.3%
Single	49	45.0%
Divorced	11	10.1%
Other	4	3.7%
Total	**109**	***100.0%***

Source: Own analysis

Education level

#	Total	%
Masters' degree or higher education	41	37.6%
Undergraduation	47	43.1%
High school (10th to 12th grade)	18	16.5%
Middle school (5th to 9th grade)	2	1.8%
Until elementary school (unitl 4th grade)	1	0.9%
Total	**109**	***100.0%***

Source: Own analysis